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RESEARCH AND PLANNING DIVISION
ECONOMIC COMMISSION FOR EUROPE

GENEVA, 1949

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CORRIGENDA

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Page 7, Table 4, Heading "1948 (1947 = 100)": Hungary . . . . *for* 110 *read* 124.

Table 4, Footnote: Sources.—*after* "... Tables 1 and 3" *add* "... except those for Finland and Hungary, for which sources are given in Appendix B."

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ECONOMIC COMMISSION FOR EUROPE

GENEVA, 1949

E/ECE/91/Rev. 1
12 May 1949

United Nations Publications

Sales Number : **1949.II.E.1.**

PREFACE

This SURVEY, as a successor to *A Survey of the Economic Situation and Prospects of Europe* which was published a year ago, is the second major study of current economic conditions to be undertaken by the Secretariat of the Economic Commission for Europe.

The background against which this SURVEY was written differs considerably from that which existed when the preceding volume was prepared a year ago. Inflation, the shortages of basic materials and many of the other problems which dominated the immediate post-war period have largely been overcome, and Europe's production and trade are now close to their pre-war levels. But, although economic conditions of life have become more normal, the underlying problems of the European economy do not appear to be appreciably nearer solution. The progress of the past year would in many areas have been impossible without outside financial assistance. It was, moreover, achieved in the face of increasing political tension which, although its economic consequences may not have been fully felt so far, is bound to retard future progress if the division of Europe is further intensified.

While the more efficient use of resources within Europe is a pre-requisite of improved conditions of economic life, the achievement of stable and sustained progress in the future will, as the following chapters emphasize, depend heavily on developments in the world as a whole. For this reason this SURVEY, written at a time when the immediate problems of post-war reconstruction are passing into the background, devotes greater attention, particularly in the last chapter, to wider problems that are not peculiar to Europe but extend far beyond its boundaries.

The present SURVEY, like its predecessor, is the work of the Research and Planning Division of the Secretariat, under the general direction of Mr. Nicholas Kaldor (Director), and Mr. Hal B. Lary (Assistant Director). Acknowledgments should also be made to the following senior members of the Division for their share in the analytical and statistical work : Tibor Barna, Esther Boserup, Mogens Boserup, Karl Brunner, Machiel Jansen, Albert Kervyn, Bengt Metelius, Robert Neild, Rudolf Nötel, Gizelle Podbielski, Hans Staehle, Sergio Steve and Pieter Verdoorn.

GUNNAR MYRDAL,
Executive Secretary.

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ECONOMIC SURVEY
OF
EUROPE IN 1948

SYMBOLS EMPLOYED

The following symbols have been used throughout this SURVEY :

.. = not available
— = nil or negligible

In referring to combinations of years, the use of an oblique stroke —*e.g.*, 1947/48—signifies a 12-month period (say from 1 July 1947 to 30 June 1948). The use of a hyphen—*e.g.*, 1947-1948—signifies the full period of calendar years covered (including the end years indicated) either as an average or total, as specified.

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton.

Chapter 1

THE PROGRESS IN PRODUCTION

1. INDUSTRIAL PRODUCTION

In 1948, the third post-war year, industrial production in Europe showed a further substantial increase. For a group of fifteen European countries, which before the war accounted for four-fifths of the total industrial output of Europe,[1] the level of output in 1948 was 16 per cent higher than in 1947 and approached the 1938 level, as is shown in Table 1.[2] In the last quarter of 1948, their aggregate production exceeded, for the first time, the average 1938 level. Moreover, the rate of increase in production was slightly greater during 1948 than in the previous year, as can be best shown if, in order to eliminate the seasonal element, the production in successive quarters of 1947 and 1948 is related to production in the corresponding quarters of the previous year :—

Index Numbers of Industrial Production
(Corresponding quarter of previous year = 100)

	1947	1948
First quarter	116	124
Second quarter . . .	118	113
Third quarter	113	114
Fourth quarter . . .	112	116
Year	115	116

The increase of 24 per cent shown for the first quarter of 1948 is partly a reflection of the abnormally low output in the first quarter of 1947, which was due to the severity of the winter and the fuel crisis. The comparatively high percentage increases shown for the third and fourth quarters of 1948 indicate, however, that the progress in European industrial production has shown no signs of slackening.

A major contribution to this increase in European production in 1948 was the rapid recovery in the Western Zones of Germany. The output of Western Germany, which before the war accounted for about one-sixth of the total industrial production of Europe, was only about one-third of pre-war during 1946, and in the course of the following year it rose very slowly to some 40 per cent of the 1938 level. However, early in 1948, production began to rise and continued to do so at an accelerated rate in the second half of the year. Production in Western Germany thus reached 57 per cent of 1938 in the third quarter of 1948, and 64 per cent in the last quarter.[1]

The progress of Austria, although its influence on the European total is less important, was of a similar nature : production rose from about one-half of pre-war in 1947 to 83 per cent of pre-war in the last quarter of 1948.

The spectacular increases achieved in Western Germany (and also in Austria) reflect the upswing of production from the low level at

---

[1] For reasons of statistical comparability, references to Europe exclude the U.S.S.R. throughout this chapter. The data on the U.S.S.R are given at the end of each section of the chapter.

[2] The figures for total European production in Table 1, which show the production of only fifteen countries, differ slightly from those shown in Table 16, which includes estimates for European countries that do not regularly publish index numbers of production.

[1] The index of industrial production in the Soviet Zone of Germany shows that production reached 51 per cent of 1938 (60 per cent of 1936) by the end of 1947. During 1948 industrial production increased by about 10 per cent. In the Two-year Plan of the Soviet Zone it is proposed to raise production to 69 per cent of 1938 (81 per cent of 1936) by 1950.

Table 1

THE LEVEL OF INDUSTRIAL PRODUCTION

Index numbers based on 1938 and 1947

Country	1938 = 100			1947 = 100							
				1947				1948			
	1946	1947	1948 [a]	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth [a] quarter
Austria [b]	40 [c]	48	74	70	106	111	113	122	156	163	173
Belgium	89	106	115	95	102	97	108	106	107	107	113
Bulgaria	122	145	170	81	96	109	114	94	111	129	134
Czechoslovakia [b]	..	87	102	93	104	95	109	112	119	110	125
Denmark	101 [c]	116	130	97	95	99	106	109	114	108	118
France [d]	79	95	108	98	106	96	101	115	121	106	112
Germany : U.K./U.S. Zone [e]	29	34	51	78	102	107	112	122	127	165	191
Greece	56	71	77	90	101	101	109	100	101	108	128
Ireland	110	116	137	91	96	101	112	107	119	114	..
Italy	61 [c]	81	87	79	108	109	104	98	107	111	114
Netherlands	74	94	112	89	96	100	114	110	117	120	130
Norway	94	108	118	99	104	93	105	109	117	96	114
Poland	79	104	133	91	97	100	113	124	130	125	134
Sweden	136	138	143	99	100	99	100	102	103	103	105
United Kingdom [f]	100	108	121	90	101	99	110	112	112	107	117
TOTAL of above countries :											
including Germany	72	83	96	90	102	100	108	112	116	114	124
excluding Germany	88	100	113	91	102	99	107	111	114	109	117
U.S.S.R. [b]	76	93	118	..	..	..	..	..	..	..	..

Sources. — The index numbers for each country (with the exception of Belgium and Greece) have been taken from official or semi-official sources, all of which are given in Appendix B.

NOTES. — The indices for each country include manufacturing, mining and public utilities but exclude building with the following exceptions: the index for Greece excludes mining ; those for Austria, France, Germany and Italy exclude the food industries ; the indices for Austria and Sweden exclude chemicals while those for Belgium, Denmark and Sweden exclude public utilities. The engineering industry is not represented in the Italian index.

For those countries in which there have been territorial changes since 1938, production in the post-war territory has been related to 1938 production in the pre-war area.

Where the original base of the index numbers was other than 1938, the figures have been adjusted to that base year by means of the official pre-war index numbers.

For the weights used in arriving at the combined index numbers, shown at the bottom of the table, and the methods of estimating those weights, see Appendix B.

[a] Provisional.

[b] The base of the annual index numbers for Austria and Czechoslovakia is 1937 ; for the U.S.S.R., 1940.

[c] Estimate. For details, see Appendix B.

[d] Excluding the Saar.

[e] The indices of the U.K./U.S. Zone have been given the weight of the three Western zones. See Appendix B.

[f] The annual indices (1938=100) have been obtained on the basis of 1946 weights. If 1935 weights were used, the index for 1947 would be 115 (1938=100) and would raise the European total (including Germany) by two points.

which it had remained during the previous two years, and were made possible by improved supplies of raw materials imported from abroad and by the restoration of incentives following the monetary reform. It may therefore be more significant to consider the rate of progress achieved in 1948 by the group of countries excluding Germany. These fourteen countries, as Table 1 shows, had already reached their aggregate 1938 output in the course of 1947 ; in 1948 their industrial production was 13 per cent above pre-war and rose to 17 per cent above pre-war in the last quarter. Thus the increase in production from 1947 to 1948 was only slightly less than the increase from 1946 to 1947. Again, comparing each quarter of 1947 and 1948 with corresponding quarters of the previous year, it can be seen that, while progress in the last two quarters of 1948 was less than in the previous year, it still proceeded at a substantial rate :—

Index Numbers of Industrial Production —excluding Germany

(Corresponding quarter of previous year = 100)

	1947	1948
First quarter	116	121
Second quarter	117	112
Third quarter	112	109
Fourth quarter	112	109
Year	114	113

The progress of industrial production was fairly evenly spread among the different countries of Europe, and was just as substantial in the countries of Eastern Europe as in the countries of Western Europe. There were some countries, like Poland (where the actual increase from 1947 to 1948 was 28 per cent), which showed a conspicuously high rate of progress, and others, like Sweden (where production is well in excess of pre-war), which showed only a moderate rise. In Belgium and Italy, the increases in production were apparently restricted by monetary influences, and in Greece by the civil war. But in most countries the improvement was of the order of 10 to 20 per cent and in no country in Europe did production actually decline.

In the SURVEY published last year,[1] which was based on information for only the first three quarters of 1947, it was suggested that the progress in industrial production had tended to level off, and that, while some resumption in the process of expansion could be expected, progress in the following year was not likely to be as substantial as in the period up to the end of 1946. In retrospect, this analysis was not borne out by events. The setback at the beginning of 1947 caused by the severe winter and the fuel crisis was made good by the second quarter of the year, and, in the last quarter of 1947, after a temporary relapse during the summer, progress was resumed with the same momentum as before. As can be seen in Table 2, the generalization made last year, that countries starting from low levels of production in relation to pre-war show the highest rates of improvement, continued to be valid during 1948. However, countries which already exceeded their pre-war level of production also showed increases during 1948 of a size which, in pre-war years, occurred only in times of rapidly rising employment, during periods of recovery from economic depression. This, of course, was not the position in 1948 when, with the exception of Italy, Germany and Hungary, industry could not draw on reserves of unemployed labour.

Table 2

THE RATE OF PROGRESS IN INDUSTRY

Index numbers

Country	1947 (*1938=100*)	1948 (*1947=100*)
Bulgaria	145	117
Sweden	138	103
Weighted average	*138*	*104*
Ireland	116	118
Denmark	116	112
United Kingdom	108	112
Norway	108	109
Belgium	106	103
Weighted average	*108*	*112*
France	95	114
Netherlands	94	119
Czechoslovakia	87	117
Italy	81	108
Weighted average	*90*	*114*
Greece	71	109
Poland	70[a]	128
Austria	48[b]	154
Germany : U.K./U.S. Zone	34	151
Weighted average	*41*	*143*

Source. — The figures are derived from Table 1.

[a] Adjusted roughly to the basis of 1938 output in the post-war territory.

[b] Base of the index number : 1937.

Changes in Productivity

The movements in the level of industrial employment shown in Table 3 indicate that for a group of sixteen countries, excluding Germany, industrial employment in 1947 was already 11 per cent above 1938, while the increase in the following year was less than 4 per cent. The year's industrial progress was thus largely due to increases in output per man employed in industry. In Table 4 the changes in the productivity of labour are estimated from the relationship of the index of industrial production and the index of industrial employment (which refers to the same group of industries as the production index). These estimates indicate that the increase in output per man was 5 per cent between 1946 and 1947, and 9 per cent between 1947 and 1948. In 1948, outside Germany (where productivity reached 60 per cent of pre-war towards the end of the year), output per man in industry has, on the average, already approached the pre-war

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[1] *A Survey of the Economic Situation and Prospects of Europe*, Research and Planning Division, Economic Commission for Europe, Geneva 1948.

Table 3

THE LEVEL OF EMPLOYMENT IN INDUSTRY

Index numbers based on 1938 and 1947

Country	*1938 = 100*			*1947 = 100*							
				1947				1948			
	1946	1947	1948 [a]	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth [a] quarter
Austria [b]	100	119	135	95	99	103	108	110	113	115 [d]	117
Belgium [b]	92	116	119	97	100	101	102	103	104	103	103
Bulgaria	..	160	..	85	104	115	..	..	..	..	..
Czechoslovakia [b]	89	98	103	97	98	100	105	104	104	105	106
Denmark	120	126	133	..	..	..	..	..	..	..	..
Finland	112	119	125	98	100	100	102	104	106	106 [d]	106
France [c]	97 [d]	106	100	99	101	101	101	102	103	104	104
Germany : U.K./U.S. Zone [e]	76 [d]	85	95	96	99	102	105	108	110	113	117
Hungary	89 [d]	105	112	93	98	103	107	103	103	107	114
Ireland	113	121	..	98	99	101	102	104	..	..	..
Italy	..	118	115 [d]	97	103	..	..	97	97	97 [d]	97
Netherlands	105	122	134	95	97	100	103	107	109	110 [d]	111
Norway	114	127	137	97	100	101	103	105	108	109	111
Poland	97	120	134	94	96	100	110	109	110	113	115
Sweden	122	122	123	101	100	99	100	100	101	100	102
Switzerland	136	148	152	98	99	101	102	103	103	102	102
United Kingdom	103 [d]	108	113	93	102	102	104	104	104	105	106
TOTAL of above countries :											
including Germany	94	103	109	96	101	102	104	104	105	106	108
excluding Germany	102	111	116	96	101	102	103	103	104	104	106

Sources. — The index numbers for each country have been taken from official or semi-official sources supplemented by estimates of the Research and Planning Division, Economic Commission for Europe. For sources and details of estimation, see Appendix B.

NOTES. — In general, the indices include both wage and salary earners in manufacturing, mining and public utilities, but exclude wage and salary earners in the building industry. Wage earners only, however, are included in the data for Belgium, Denmark, Finland, Hungary, Italy, Norway, Poland, Sweden and Switzerland; and employers and managers are included in the figures for Czechoslovakia and the United Kingdom. In some instances, the data are based on employment registration in only a limited sample of these industries. For details, see Appendix B.

For those countries in which there have been territorial changes since 1938, employment in the post-war territory has been related to 1938 employment in the pre-war area.

Where the original base of the index numbers was other than 1938, the figures have been adjusted to that base year by means of the official pre-war index numbers.

For the weights used in arriving at the combined index numbers, shown at the bottom of the table, and the methods of estimating those weights, see Appendix B.

[a] Provisional.

[b] Base of the annual index numbers : 1937.

[c] Excluding the Saar.

[d] Estimate. For details, see Appendix B.

[e] The indices of the U.K./U.S. Zone have been given the weight of the three Western zones. See Appendix B.

level,[1] though individual countries still show wide differences in productivity in relation to pre-war.

The rise in the productivity of labour in 1948 was thus considerably greater than in the previous year. This may be partly attributed to the improved flow of materials and fuels to industry, the shortage of which restricted industrial activity in 1947. However, the rise in productivity of 9 per cent in the year was also well in excess of the annual rise in productivity that can be expected in normal times ; on the basis of pre-war experience, the normal increase in productivity as a result of technical progress can only be put at 2 to 3 per cent. The fact that productivity showed such a substantial increase in 1948—despite the relatively high level of production in relation to pre-war that was already reached in the

---

[1] It must be remembered that in some countries working-hours have changed by comparison with pre-war. The most important case is France, where working-hours were abnormally low in 1938 and have since increased by up to 20 per cent, so that productivity per hour is substantially less than the figure in Table 4 would indicate.

Table 4

THE LEVEL OF OUTPUT PER MAN IN INDUSTRY

Index numbers based on 1938 and 1947

Country	1938=100			1947=100
	1946	1947	1948 [a]	1948 [a]
Austria [b]	40	40	55	136
Belgium [c]	97	91	97	107
Bulgaria	..	91	115	126
Czechoslovakia [b]	..	89	99	111
Denmark	84	92	98	106
Finland	89	101	115	114
France	81	90	99	110
Germany : U.K./U.S. Zone	38	40	54	135
Hungary	54	86	107	110
Ireland	97	96	106	110
Italy	53	69	76	110
Netherlands	71	77	84	108
Norway	82	85	86	101
Poland	81	87	99	114
Sweden	111	113	116	103
United Kingdom	97	100	108	108
TOTAL of above countries :				
including Germany	77	81	88	109
excluding Germany	86	90	97	108

Sources. — The figures are derived from data in Tables 1 and 3.

NOTES. — The index numbers for each country are the ratio of the index of industrial production and the index of employment in manufacturing industries, mining and public utilities. Total European indices are based on index numbers of output and employment in an identical group of countries.

For those countries in which there have been territorial changes, productivity in the post-war territory has been related to 1938 productivity in the pre-war area.

[a] Provisional.

[b] Base of the index numbers : 1937.

[c] It has been assumed that employment in 1938 was no different than from in 1937, the base year of the employment index only.

previous year—may be an indication that industrial production will continue to show rapid progress, not only until the pre-war level of output per man is regained, but until productivity in industry reaches the level at which it would stand if progress had continued uninterrupted by the war. In other words, when industry has been able to put into effect the technical improvements which have accumulated during the war and which have not yet been fully exploited, industrial productivity is likely to exceed the pre-war level by something approaching the normal increase that would have taken place had there been no war. This appears to have been the case after the First World War when in a number of industrial countries the effects of the war were fully made up and the pre-war trend in productivity resumed by about 1924. If this hypothesis is correct, then—given the continuance of the conditions of full employment—the rate of progress experienced in 1948 may well continue for a further period of one or two years.

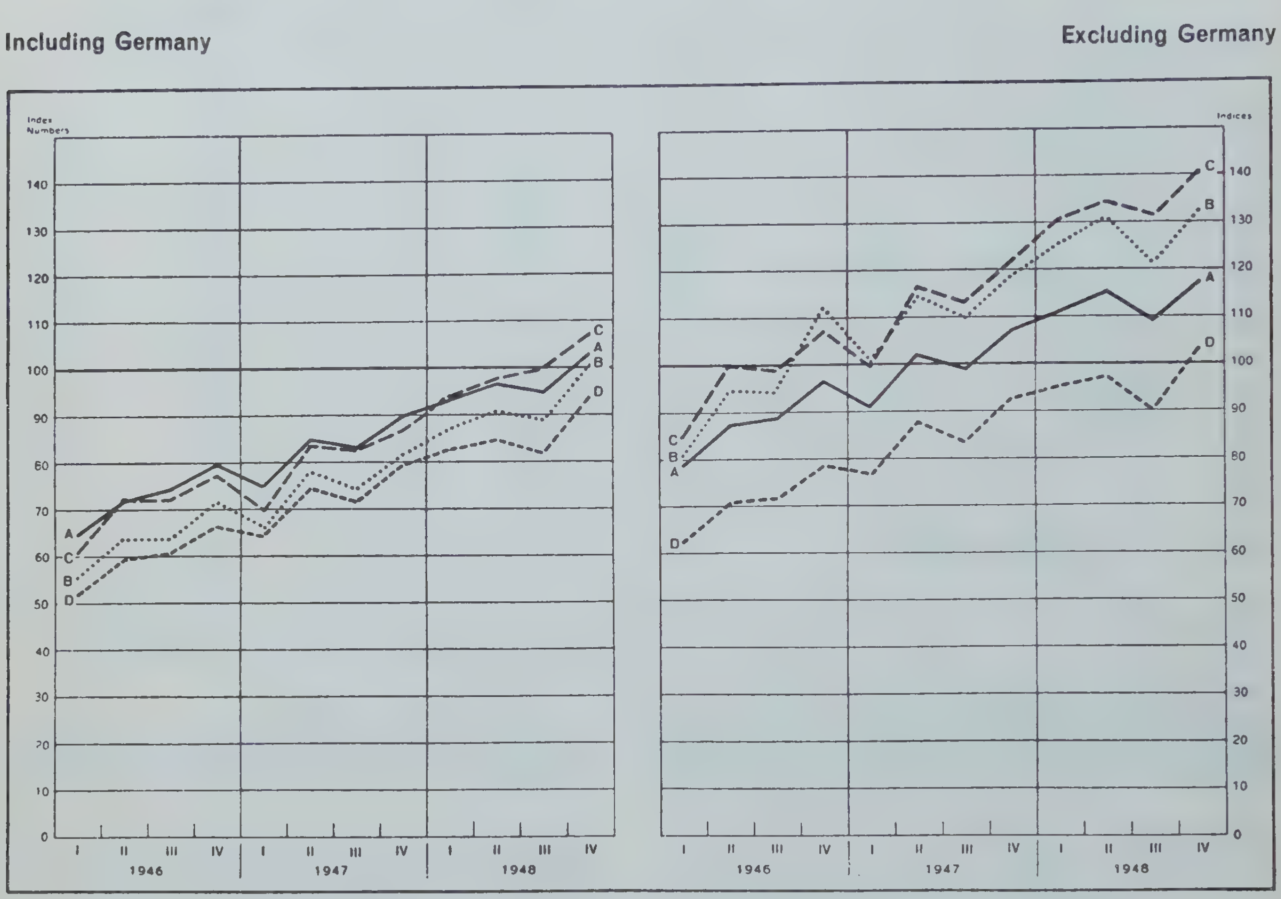
Production in Individual Industries

The production in the heavy industries—iron and steel, engineering and chemicals—continued to rise in advance of general industrial production, as is evident from Chart 1. Excluding Germany, the index for the metals and engineering industries rose by 15 per cent between 1947 and 1948, and the index for the chemical industries by 19 per cent, as is shown in Tables 5 and 6. Outside Germany, the production in these industries is now some 30 per cent above the pre-war level and well ahead of production in other industries.

Chart 1

OUTPUT OF VARIOUS INDUSTRIES IN EUROPEAN COUNTRIES [a]

Index numbers — 1938 = 100



A — General Industrial Production
B — Metals and Engineering
C — Chemicals
D — Textiles

[a] The index numbers refer to all countries considered in Tables 1, 5, 6 and 10.

Notes to Tables 5 and 6

Sources. — The index numbers for each country (with the exception of Belgium) have been taken from official or semi-official sources, all of which are given in Appendix B.

NOTES. — For those countries in which there have been territorial changes since 1938, production in the post-war territory has been related to 1938 production in the pre-war area.

Where the original base of the index numbers was other than 1938, the figures have been adjusted to that base year by means of the official pre-war index numbers.

For the weights used in arriving at the combined index numbers, shown at the bottom of the table, and the methods of estimating those weights, see Appendix B.

[a] Provisional.

[b] Including a weight for Luxemburg.

[c] Base of the annual index numbers : 1937.

[d] Estimate. For details, see Appendix B.

[e] Excluding the Saar.

[f] The indices of the U.K./U.S. Zone have been given the weight of the three Western zones. See Appendix B.

[g] The base of the annual index numbers for Belgium is 1936-1938 ; for Czechoslovakia, 1937.

Table 5

THE LEVEL OF PRODUCTION IN THE METALS AND ENGINEERING INDUSTRIES

Index numbers based on 1938 and 1947

Country	1938 = 100			1947 = 100							
				1947				1948			
	1946	1947	1948 [a]	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth [a] quarter
Belgium [b]	100	128	158	93	99	98	99	120	126	118	130
Bulgaria	86	91	. .	97	94	109	99	. .	. .	. .	. .
Czechoslovakia [c]	. .	97	116	96	106	89	111	115	131	111	123
Denmark	98 [d]	115	127	102	94	95	109	109	111	105	117
France [e]	80	98	112	97	107	99	97	114	122	109	113
Germany: U.K./U.S. Zone [f]	17	19	36	63	106	101	130	141	149	209	265
Ireland	75	104	167	86	96	95	123	131	169	152	. .
Italy	58 [d]	77	77	76	119	100	106	105	100	87	110
Netherlands	69	93	122	89	101	96	114	114	128	133	146
Norway	114	131	139	101	105	90	105	109	113	88	113
Poland	94	148	181	87	101	100	112	121	127	111	130
Sweden	133	130	135	102	101	98	100	104	104	101	106
United Kingdom	109	122	139	88	101	100	111	113	115	110	119
TOTAL of above countries:											
including Germany	64	75	91	88	104	99	109	116	121	118	133
excluding Germany	94	111	128	91	103	99	107	113	118	109	120

Table 6

THE LEVEL OF PRODUCTION IN THE CHEMICAL INDUSTRIES

Index numbers based on 1938 and 1947

Country	1938 = 100			1947 = 100							
				1947				1948			
	1946	1947	1948 [a]	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth [a] quarter
Belgium [g]	109	130	151	94	100	96	110	118	107	111	130
Bulgaria	92	138	. .	74	106	104	116	. .	. .	. .	. .
Czechoslovakia [g]	. .	102	125	93	100	98	110	118	120	117	134
Denmark	107 [d]	107	118	103	86	98	112	108	109	104	123
France [e]	91	110	128	96	109	96	98	118	126	111	112
Germany: U.K./U.S. Zone [f]	30	30	46	70	108	119	104	121	132	166	185
Ireland	. .	84	88	94	96	89	122	109	101	79	. .
Italy	52 [d]	82	93	70	108	113	109	96	112	125	119
Netherlands	61	82	104	75	98	110	117	119	126	129	130
Norway	94	98	96	101	103	97	99	88	106	109	91
Poland	111	147	217	86	97	99	114	134	146	146	166
United Kingdom	121	127	146	87	102	100	112	116	114	110	121
TOTAL of above countries:											
including Germany	71	81	99	86	103	102	107	116	121	123	133
excluding Germany	98	113	135	88	103	100	108	116	119	116	124

For sources and notes to Tables 5 and 6, see opposite page.

The most important feature of the industrial history of the year was undoubtedly the rise in steel production by 10½ million tons or 28 per cent over 1947 which is shown in Table 7. The production of crude steel increased by about 80 per cent in Austria, Germany and the Netherlands; by more than one-third in Belgium-Luxemburg; by one-quarter in France, and by one-sixth in the United Kingdom. The greater part of the improvement occurred in the second half of the year, as a result of greatly enlarged coke exports from the Ruhr.[1] For 1949 it is planned to increase the output of steel by a further 16 per cent to 55 million tons, which is above the average for the years 1936-1938. Production of pig-iron, which was previously lagging behind the pro-

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[1] As a result of the re-activation of coking capacity, exports of coke from the Ruhr at 4.4 million tons in 1948 were 78 per cent above 1947.

Table 7

PRODUCTION OF CRUDE STEEL AND CONSUMPTION OF FINISHED STEEL

Millions of tons

Country	Production of Crude Steel					Consumption of Finished Steel [a]		
	1937	1938	1946	1947	1948 [b]	1938	1947	1948 [b]
Austria	0.7	0.7	0.2	0.4	0.7	0.6	0.3	0.5
Belgium-Luxemburg	6.3	3.7	3.6	4.6	6.4	1.0	1.9	2.2
Czechoslovakia	2.3	1.8	1.7	2.3	2.7	1.5	2.0	2.4
France [c]	7.9	6.2	4.7	6.4	8.5	4.8	6.2	7.6
Germany [d]	19.2	21.8	2.6	3.2	5.7	19.5	3.6	6.4
of which Western zones	15.1	17.3	2.5	3.1	5.5	..	3.5	6.2
Soviet Zone	1.2	1.4	0.1	0.1	0.2	..	0.1	0.2
Hungary	0.7	0.6	0.4	0.6	0.7	0.5	0.5	0.6
Italy	2.1	2.3	1.2	1.7	2.1	2.4	1.9	2.4
Netherlands	—	—	0.1	0.2	0.3	1.1	1.1	1.7
Poland [e]	1.4	1.4	1.2	1.6	1.9	1.1	1.6	1.7
Spain [f]	0.2	0.6	0.6	0.5	0.5	0.6	0.6	0.5
Sweden	1.1	1.0	1.2	1.2	1.2	1.2	2.0	2.0
United Kingdom	13.2	10.6	12.9	12.9	15.1	9.6	11.6	13.5
Other European countries [g]	0.5	0.7	0.5	1.1	1.2	2.5	3.3	3.3
Total Europe (excluding U.S.S.R. [g])	56	51	31	37	47	46	37	45
U.S.S.R.	17.7	18.0	12.0 [g]	13.0 [g]	16.7 [g]			
U.S.A.	51.4	28.8	60.4	77.0	80.3			

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations; national statistics and publications of the British Iron and Steel Federation. For details, see Appendix B.

Notes. — Crude steel production refers to the total production of steel ingots and direct castings including special alloyed steels, whether for use by the maker or for sale. Wrought (puddled) iron is excluded. Finished steel consumption includes the consumption of crude steel plus net imports of finished steel. Manufactures of steel are not included.

[a] Apparent consumption; *i. e.*, production of crude steel plus net imports of crude steel and net imports of finished steel in crude steel equivalents with no allowance for changes in stocks.

Many estimates had to be made in order to arrive at the figures for consumption. The application of the same conversion factor (1.33) to express finished steel in its crude steel equivalent and the assumption made for the allocation of consumption to France and Germany (since no trade statistics are available for the Saar) are more or less arbitrary. The results, therefore, are tentative and merely indicate tendencies. For details, see Appendix B.

[b] Provisional, based on figures for less than the full year in most instances.

[c] Including production and consumption of the Saar for post-war years, production of which amounted to 0.3, 0.7 and 1.2 million tons for 1946, 1947 and 1948, respectively. Consumption of the Saar for 1946 is not available, but it amounted to 0.1 million tons for both 1947 and 1948.

[d] Post-war figures for the British Zone up to July 1947 relate to firms employing 25 or more persons. From August 1947, production of all firms employing 10 or more persons has been included. Post-war figures for the U.S. Zone included direct iron and steel castings and, beginning September 1946, include output for use in integrated plants previously not fully reported.

Total production of crude steel in 1937 and 1938 and consumption of finished steel in 1938 relate to the pre-war boundaries of Germany. Crude steel production of the Saar, estimated to have been 2.4 and 2.6 million tons in 1937 and 1938, respectively, and that of the ceded territories has been excluded from the totals for the post-war years.

Crude steel production of the individual zones has been estimated for the pre-war years and for certain of the post-war years. Finished steel consumption has been estimated for the post-war years for the whole of Germany and for certain of the individual zones. For details, see Appendix B.

[e] The figures for 1937 and 1938 relate to the pre-war boundaries of Poland. Production of crude steel in the post-war area was estimated to have been 1.9 and 2.0 million tons in 1937 and 1938, respectively. For details, see Appendix B.

[f] Steel ingots only.

[g] Estimates. For details, see Appendix B.

duction of steel, increased during the year by 36 per cent and made the relationship of iron and steel production more normal.[1] At the same time the scrap situation became a great deal easier, mainly as a result of improved collection, especially in Germany. The production of iron ore, however, has fallen behind the production of pig-iron, largely because of delays in the mechanization of the Lorraine mines. Although certain kinds of finished steel, mainly plates and sheets, continue to be scarce, the general shortage of steel may be overcome sooner than was expected.

The consumption of finished steel—which is the best single indicator of the activity of the engineering industries—was, outside Germany, 42 per cent above pre-war. Considering the production of major engineering products outside Germany, the biggest increases appear to have occurred in the production of agricultural and industrial machinery though no detailed information on these products is

Table 8

PRODUCTION OF COAL AND CONSUMPTION OF COAL AND COKE

Millions of tons

Country	Production of Coal					Consumption of Coal and Coke [a]				
	1937	1938	1946	1947	1948 [b]	1937	1938	1946	1947	1948 [b]
Belgium-Luxemburg	29.9	29.6	22.8	24.4	26.7	33.6	30.1	26.3	29.9	30.9
Czechoslovakia	16.8	15.8	14.2	16.3	17.8	16.5	16.2	14.4	16.8	18.2
France [c]	44.3	46.5	55.1	55.7	56.0	71.9	66.5	62.0	68.4	68.4
Germany [d]	186.0	187.8	57.8	75.2	91.2	143.6	156.3	51.9	70.4	80.0
of which Western zones	139.1	135.8	55.3	72.5	88.4	..	..	47.3	65.7	74.4
Soviet Zone	3.9	6.2	2.5	2.7	2.8	..	..	4.6	4.7	5.6
Italy	1.0	1.5	1.2	1.2	1.1	13.8	13.6	6.9	10.3	8.9
Netherlands	14.3	13.5	8.3	10.1	11.0	13.8	13.2	10.8	13.3	13.7
Poland [e]	36.2	38.1	47.3	59.1	70.3	24.7	26.3	32.4	40.3	44.7
Spain	2.1	5.7	10.7	10.5	10.5	6.0	6.5	10.4	10.6	10.8
Sweden [f]	0.3	0.3	0.3	0.3	0.3	9.2	8.0	3.8	5.5	7.1
United Kingdom [g]	244.3	230.6	193.1	200.6	210.8	200.2	191.9	193.2	191.6	200.1
Other European countries [h]	5.2	5.5	5.7	6.7	7.0	37.3	36.8	14.4	23.4	28.2
Total Europe (excluding U.S.S.R.) [h]	580.4	574.9	416.5	460.1	502.5	570.6	565.4	426.5	480.5	511.1
U.S.S.R. [i]	122.6	132.9	159.5	178.7	203.8					
U.S.A.	451.2	358.0	539.3	613.4	581.9	437.1	346.3	494.9	551.9	531.8

Sources. — The figures have been taken from the *Monthly Bulletin of Coal Statistics*, Economic Commission for Europe, and the *Monthly Bulletin of Statistics*, United Nations.

Notes. — Production data refer to net pithead production of hard coal (clean coal raised to the surface). Petroleum coke is not included in the consumption of coke.

[a] Apparent consumption (including bunkers; *i.e.* production of coal, plus net imports of coal and coke) (ton for ton) with no allowance for changes in stocks.

[b] Provisional.

[c] Including production and consumption of coal and coke in the Saar for post-war years. Production in the Saar amounted to 7.9, 10.5 and 12.6 million tons for 1946, 1947 and 1948, respectively.

[d] The figures for 1937 and 1938 relate to the pre-war boundaries of Germany and include data for the Saar, production of which amounted to 13.4 and 14.5 million tons in 1937 and 1938, respectively. Production and consumption of the individual zones have been estimated for certain years. For details, see Appendix B.

[e] The figures for 1937 and 1938 relate to the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 66.0 and 69.4 millions for 1937 and 1938 respectively. For details, see Appendix B.

[f] Production data refer to hard coal equivalent of poor-quality brown coal.

[g] Actual consumption (including bunkers). In 1946 the United Kingdom consumed 5.1 million tons of coal and coke from stocks, while in 1947 stocks increased by 7.9 millions. In 1948 one million tons were drawn from stocks.

[h] Post-war production has been estimated. For details, see Appendix B.

[i] Brown coal, amounting to about 13 per cent of total production, is included in the pre-war figures. It is supposed that brown coal is included in the post-war figures where it would probably represent a higher proportion of the total production than it did for the pre-war years.

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[1] For more detailed figures on pig-iron and other industrial materials, see Statistical Appendix, which includes tables showing the production (and consumption) of twelve major commodities.

available; shipbuilding was above pre-war, largely due to the production of the United Kingdom; the output of passenger motor-cars was one-sixth below pre-war and the output of commercial vehicles was four-fifths above pre-war.

The most important contributory factor to the increase in steel and also general industrial production, was the relaxation of the general fuel shortage. The remarkable fact is that the far-reaching change in the European coal situation was the result of a comparatively moderate increase in coal production, and an even more modest increase in coal consumption. As is shown in Table 8, the production of hard coal in Europe only increased by 42 million tons, or 9 per cent, while coal consumption, as a result of the fall in imports from the United States increased by only 6 per cent. Owing to improvements in coal utilization as well as the more favourable weather conditions in 1948, the coal requirements in 1948 could be met, despite higher industrial needs. In the previous year, Europe's fuel consumption was excessive in relation to industrial output, especially in Western Germany[1] whilst by 1948 the pre-war relationship between industrial production and fuel consumption had been restored.

While the coal situation thus became much easier, the supply of electric power remained very short owing to the shortage of capacity. The 10 per cent increase in production during the year was only slightly in excess of the normal pre-war increase in demand, and hardly contributed towards closing the gap between supply and requirements, caused by the inadequate increase in capacity in the last ten years. In Germany, generating capacity is well below pre-war and may constitute a serious handicap to further increases in production. Outside Germany, production in 1948 was 59 per cent above pre-war, but even so the shortage of generating capacity necessitated the adoption of emergency measures to save electricity. Oil consumption was 44 per cent above pre-war outside Germany, and increased by 14 per cent in the year. Total energy consumption, taking into account coal, brown coal, hydro-electricity, oil and fuel wood, increased by 7 per cent in 1948 and was (excluding Germany) 14 per cent above pre-war.

Building and construction activity has also increased substantially during the year, although, as far as can be seen, it is still below the pre-war level. Indices of building activity exist for only a few countries and owing to the widely different ways in which building activity is measured, it is difficult to assess the position in this industry. The production of building materials, as shown in Table 9, has risen by

Table 9

THE LEVEL OF PRODUCTION IN THE BUILDING MATERIAL INDUSTRIES

Index numbers — 1938 = 100

Country	1946	1947	1948 [a]
Austria [b]	..	51	102
Belgium [b]	57	75	84
Czechoslovakia [b]	33	62	82
Denmark	104	111	..
Finland [b]	78	90	..
France	78	95	113
Germany: U.K./U.S. Zone [c]	36	38	64
Greece [b]	32	49	72
Ireland	99	100	154
Italy	87	79	86
Netherlands	55	71	95
Rumania	35	36	..
Sweden	110	106	84
United Kingdom	66	85	100
TOTAL of above countries:			
including Germany	58	68	86
excluding Germany	67	81	95

Sources. — The figures have been taken from national statistics. For details, see Appendix B.

NOTES. — Index numbers including all types of building materials have been taken whenever they appeared as such in the official statistics. For Czechoslovakia, Denmark, Finland, Rumania and Sweden, production of bricks only has been taken into account.

[a] Provisional.

[b] The base of the index numbers for Austria, Czechoslovakia and Finland is 1937; for Belgium, 1936-1938; for Greece, 1939.

[c] The indices of the U.K./U.S. Zone have been given the weight of the three Western zones. See Appendix B.

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[1] In the U.K./U.S. Zone of Germany, coal consumption in 1948 was only 13 per cent higher than in 1947, while industrial production increased by 50 per cent and steel production by 80 per cent. In 1947, however, the Western Zones of Germany consumed more than half the pre-war quantity of coal, while industrial production in general was only one-third, and the production of the heavy industries only one-fifth of the pre-war level.

no less than 26 per cent during 1948, and is now 86 per cent of 1938. The greatest progress took place in the production of cement which, outside Germany, was 10 per cent above pre-war.

Timber continues to be the most important limiting factor in building. The production of softwoods in Europe was slightly over two-thirds of pre-war and the consumption of softwoods somewhat less than two-thirds. In addition, the available supplies are ill-distributed. Owing to the shortage of coal during the war, some timber-producing countries have converted their resources to the production of fuel wood, and a reversion from this process has taken place only recently. At the same time, timber-consuming countries like the United Kingdom have substituted other commodities, such as steel, for timber which, in turn, has aggravated the shortage of steel. While the consumption in producing countries reached or passed its pre-war level, the consumption of the largest importer, the United Kingdom, is only 40 per cent of 1937, and this sets a limit to house-building in the United Kingdom at about 200,000 dwellings as against 350,000 to 400,000 before the war.

Among consumer goods industries, index numbers of production are available for textiles only and are given in Table 10. The expansion of textile production in the course of the year was greater than the general expansion of production and therefore textile output to a small extent made up for the lack of progress

Table 10

THE LEVEL OF PRODUCTION IN THE TEXTILE INDUSTRIES

Index numbers based on 1938 and 1947

Country	*1938 = 100*			*1947 = 100*							
	1946	1947	1948 [a]	1947				1948			
				First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth[a] quarter
Austria [b]	..	36	57	61	93	114	136	150	151	153	157
Belgium	117	139	122	101	102	95	102	94	90	80	86
Bulgaria	93	121	..	86	105	102	106	..	..	..	..
Czechoslovakia [b]	..	60	77	94	104	89	114	128	131	114	142
Denmark	96 [c]	108	129	98	95	96	111	120	126	105	127
France [d]	68	89	103	96	107	90	108	115	122	101	125
Germany : U.K./U.S. Zone[e]	16	25	47	70	100	113	117	140	152	215	246
Ireland	120	134	146	87	104	97	112	109	109	196	..
Italy	55 [c]	77	75	87	107	106	100	92	93	95	106
Netherlands	55	87	103	87	97	102	114	117	118	115	125
Norway	86	108	123	99	106	88	107	116	124	94	123
Poland	79	97	128	91	90	101	119	124	126	130	150
Sweden [f]	127	127	136	98	103	98	101	106	107	103	110
United Kingdom	74	79	94	85	102	102	113	118	119	113	126
TOTAL of above countries :											
including Germany	60	72	86	89	103	99	110	114	117	113	130
excluding Germany	71	85	97	90	103	98	109	112	114	106	121

Sources. — The index numbers for each country (with the exception of Belgium) have been taken from official or semi-official sources, all of which are given in Appendix B.

NOTES. — Unless otherwise specified, clothing is not included in the index numbers for each country.

For those countries in which there have been territorial changes since 1938, production in the post-war territory has been related to 1938 production in the pre-war area.

Where the original base of the index numbers was other than 1938, the figures have been adjusted to that base year by means of the official pre-war index numbers.

For the weights used in arriving at the combined index numbers, shown at the bottom of the table, and the methods of estimating those weights, see Appendix B.

[a] Provisional, based on figures for less than the full year or less than the full quarter in most instances.

[b] Base of the annual index numbers : 1937.

[c] Estimate. For details, see Appendix B.

[d] Excluding the Saar.

[e] The indices of the U.K./U.S. Zone have been given the weight of the three Western zones. See Appendix B.

[f] Including ready-made clothing.

in previous years and slightly restored its position in relation to other industries. The production in Western Germany almost doubled, but was still at less than half the pre-war level. Production outside Germany, despite the rise during the year, is still below pre-war owing to the low output of a few major producers such as Czechoslovakia, Italy and the United Kingdom. In Belgium, where production in 1947 was 40 per cent above pre-war, production fell as a result of the deflationary tendencies which developed in the course of the year. The same was true of Italy though to a lesser extent. These are the first known instances since the war of a fall in production in a major industry caused by a fall in demand rather than a scarcity of resources.

The available information on industrial production is summarized in Table 11. It shows clearly that, outside Germany, the investment

Table 11

SUMMARY OF INDICATORS OF PRODUCTION IN EUROPE [a]

Index numbers based on 1938 and 1947

Item	Including Germany				Excluding Germany			
	1938 = 100			*1947=100*	*1938 = 100*			*1947=100*
	1946	1947	1948	1948	1946	1947	1948	1948
Industrial production	72	83	96	116	88	100	113	113
Metals and engineering	64	75	91	122	94	111	128	115
Chemicals	71	81	99	123	98	113	135	119
Textiles	60	72	86	119	71	85	97	113
Building materials	58	68	86	126	67	81	95	117
Agricultural production	78	76	85	112	80	80	90	113
Railway transport (goods loaded)	..	..	..	..	95	102	115	113
Coal: production	72	80	87	109	91	97	103	106
consumption	75	85	90	106	90	99	104	106
Oil consumption	..	115	131	113	..	127	144	114
Electric energy production	109	118	129	110	137	146	159	109
Total energy consumption [b]	..	91	98	108	..	106	114	107
Iron ore production	56	63	78	124	57	66	80	121
Pig iron production	52	64	87	137	84	102	131	128
Crude steel production	60	71	91	128	95	111	135	122
Finished steel consumption	..	79	97	122	..	122	142	116
Merchant ships (tons launched)	..	77	87	113	..	97	109	113
Motor vehicles: passenger cars	36	52	68	132	44	65	84	128
commercial vehicles	120	132	162	123	141	154	182	118
Cotton yarn production	65	73	84	116	70	76	85	113
Wool yarn production	71	85	94	111	86	103	112	109
Rayon filament yarn production	74	98	114	117	99	129	141	109
Rubber consumption	73	101	133	132	94	130	159	122
Sawn softwood: production	65	66	68	102	67	68	70	102
consumption	63	57	61	106	69	60	65	108
Cement production	62	70	86	123	84	95	110	116

Sources. — The figures are derived from data in Tables 1, 5 to 10, 14, 15, and 16 in Chapter I and Tables I to XII in Appendix C.

[a] Excluding the U.S.S.R.

[b] Including consumption of coal, brown coal, oil, hydro-electric energy and fuelwood (converted to coal equivalent).

goods industries—metals, engineering, chemicals and building materials—have expanded in advance of the general recovery in production. So far, this no more than compensates for the fall in German production, but with the rapid recovery of Germany's heavy industries, there is likely to be a shift to heavy industries in Europe as a whole. The table also shows that the newer industries like electricity, rayon and rubber, which showed a high rate of expansion in pre-war years, are all significantly above pre-war, while there are difficulties in restoring the output of the older industries, such as cotton and wool, to its pre-war level.

Industrial Production in the U.S.S.R.

In the Union of Soviet Socialist Republics, the index of gross industrial production, having risen by 22 per cent from 1946 to 1947, rose by 27 per cent between 1947 and 1948, and exceeded the 1940 level by 18 per cent. Progress in the third year of the Five-year Plan was thus greater than in the second. The quarterly index of production in the Soviet Union is given on a different basis from index numbers for other European countries, since the figures are based on a comparison of production between corresponding quarters of successive years. It is possible, however, on the basis of additional information, to connect these index numbers and estimates made on this basis, in addition to the original index numbers, are shown below.

Quarterly Movements of Industrial Production in the U.S.S.R.

	(Corresponding period of previous year = 100)		(Estimated production 1940 = 100)		
	1947	1948	1946	1947	1948
First quarter	112	132	72	81	107
Second quarter . . .	118	124	75	89	110
Third quarter . . .	126	123	77	97	119
Fourth quarter . . .	130	129 [a]	80	105	135
Year	122	127	76	93	118

[a] The figures for the fourth quarter of 1948 have been estimated, taking the index for the year as the weighted average of the quarterly index numbers.

It appears that in the course of 1946 recovery was relatively slow because of the difficulties in conversion to peace-time production and the failure of the harvest, but that after the first quarter of 1947 there was rapid progress and at the end of the year output exceeded the pre-war level. Contrary to the normal experience in the winter months, there was a further rise in output in the first quarter of 1948. Progress continued to be rapid and in the last quarter of 1948 the average level of industrial production of 1940 appears to have been exceeded by one-third.

Index numbers of the production of many commodities have been officially published since 1946 and it is possible to link some of these to production in 1940, as is shown in Table 12. Production of coal, including brown coal, was one-quarter above pre-war in 1948 and production of electricity one-third above pre-war, whilst the production of iron and steel almost reached the pre-war level. Within engineering products there may have been a switch from railway rolling-stock to lighter vehicles and to machinery. The production of consumer goods had just reached pre-war in some cases and was below it in others. It is interesting to observe that, between 1940 and 1946, the production of coal had fallen very much less than general industrial production, whilst in the last two years coal production rose by 30 per cent as against the 55 per cent rise in general production.

Table 12

SUMMARY OF INDICATORS OF PRODUCTION IN THE U.S.S.R.

Index numbers — 1940 = 100

Item	1946	1947	1948
Gross industrial production	76	93	118
Coal and brown coal (ton for ton)	96	108	123
Oil	70	83	94
Electricity	97	112	130
Pig iron	69	79	96
Crude steel	69	75	96
Rolled-steel products	70	80	102
Motor vehicles (number)	82	107	161
* Machinery and instruments [a]	..	108	154
Cotton fabrics	49	65	81
* Felled timber	..	..	107
Cement	59	83	114
* Building materials	..	..	130
* Artificial fertilizers	45	62	88
Leather shoes (number)	45	64	78

Sources. — The index of gross industrial production and the relationship between data for 1946, 1947 and 1948 are based on information contained in official Soviet sources. The relationship between pre-war and post-war data, however, is derived from statements in Soviet publications. For details, see Appendix B. Items marked with an asterisk (*) are taken directly from ministerial announcements. For production of commodities on 1945 base in connection with plan fulfilment, see Chapter 8.

[a] Excluding transportation equipment, electrical machinery and machine tools.

2. Agricultural Production

From the point of view of living standards, the improvement in the agricultural production of Europe with the 1948 harvest was even more significant than the improvement in industrial production—though agricultural production as a whole is still appreciably below pre-war. With the harvest of 1947, the recovery of agricultural production suffered a severe setback as a consequence of the drought in most European countries. However, in the following year Europe, like the world as a whole, was blessed with a favourable season. As is shown in Table 13, the production of bread grains in Europe (excluding the U.S.S.R.) increased by no less than 19 million tons or 47 per cent. The potato crop increased by 24 per cent, sugar beet production by 43 per cent and the production of both coarse grain and edible pulse by 13 per cent. The most remarkable improvement occurred in France, where the production of bread grains more than doubled and nearly reached the pre-war level.

Index-numbers of agricultural production based on pre-war world prices are given in Table 14. They show that, by the agricultural year 1946/47, European production had recovered to 78 per cent of the pre-war average and that the figure was only slightly lower in 1947/48. The reduction in Europe's agricultural production would have been considerably greater in that year but for the fact that a number of war-devastated countries,

Table 13

PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES IN EUROPEAN COUNTRIES[a]

Millions of tons

Commodity	1934–1938 average	1946/47	1947/48	1948/49 [b]
Bread grains	65	49	39	58
Coarse grains	60	40	45	52
Total grains	125	89	84	110
Potatoes	134	100	107	133
Sugar (raw value)	6.6	5.3	4.6	6.6
Edible pulses	2.0	..	1.5	1.7
Milk	107	76	71	..
Meat [c]	12.9	7.7	7.8	..
Eggs	2.4	1.5	1.7	..
Butter	1.7	1.1	0.9	..
Cheese	1.4	0.9	0.9	..
Fish	4.6	4.6	5.0	..

Sources. — The figures have been taken from *Foreign Agriculture Circular*, Office of Foreign Agricultural Relations, United States Department of Agriculture; *The State of Food and Agriculture 1948*, Food and Agriculture Organization of the United Nations; and *Yearbook of Food and Agriculture 1947*, Food and Agriculture Organization of the United Nations.

Notes. — All figures relate to post-war territory and to the crop year July-June.

[a] Excluding the U.S.S.R.

[b] Provisional, based on crop estimates.

[c] Dressed carcass weight, excluding poultry but including offals.

such as Hungary, Poland and Rumania, succeeded in coming much nearer to their pre-war production than in the previous year, in spite of unfavourable weather conditions. In 1947/48, only Sweden, Turkey and the United Kingdom had an output above the pre-war average, and in five countries—Czechoslovakia, Germany, Hungary, Poland and Yugoslavia—production was only two-thirds of pre-war or less. Provisional figures for 1948/49 show an overall improvement of 12 per cent and the disparities in relation to pre-war production among the individual countries are less marked than in earlier years. But the overall index, at 85 per cent of pre-war, shows that the recovery of agriculture is still seriously behind the recovery of industry. Although the weather was more favourable, the 1948 grain harvest was still some 12 per cent below pre-war. The livestock position remained serious, and the consequences of slaughtering a large number of animals during the drought of the previous year were felt during 1948. Milk production rose slightly, but meat production was somewhat lower, and the output of livestock produce in general remained around two-thirds of pre-war. The restoration of livestock numbers to pre-war levels, which is a condition of the restoration of pre-war standards of food con-

Table 14

THE LEVEL OF AGRICULTURAL PRODUCTION

Index numbers — 1934-1938 = 100

Country	1946/47	1947/48	1948/49
Austria	80	72	80
Belgium	73	71	70
Bulgaria	67	71	..
Czechoslovakia	80	62	80
Denmark	94	76	100
Finland	72	71	80
France	83	75	85
Germany [a]	64	61	70
Greece	78	90	80
Hungary	57	67	85
Ireland	97	91	..
Italy	86	86	90
Netherlands	88	85	90
Norway	95	86	95
Poland	46	59	70
Portugal	97	95	95
Rumania	59	80	..
Spain [b]	90	85	90
Sweden	103	103	105
Switzerland	113	98	100
Turkey	101	123	125
United Kingdom	102	103	115
Yugoslavia	56	69	..
Total Europe: [c]			
including Germany	78	76	85
excluding Germany	80	80	90

Sources. — The index numbers for 1946/47 and 1947/48 have been taken from an unpublished study prepared by the Food and Agriculture Organization of the United Nations. The figures are provisional and are subject to revision.

The 1948/49 index numbers are rough estimates and are based mainly on crop estimates for grains and for potatoes.

Notes. — In many instances, the indices given in the table differ considerably from those published by individual countries. Where this difference does occur, it can be attributed mainly to variation in methods of calculation. For details of methods and estimation, see Appendix B.

The index numbers refer to the crop year July-June.

[a] Four zones.

[b] Base of the index numbers: 1930-1934.

[c] Excluding the U.S.S.R.

sumption, will necessarily take a number of years.

In the Soviet Union, agricultural production improved greatly in 1947 by comparison with 1946, which was a year of severe drought, and yields of grain per hectare returned to their pre-war level. In 1948, the area under grain was further expanded and appears to have been only slightly below pre-war. There was, moreover, a further improvement in yield per hectare, which was reported to be higher than pre-war in spite of adverse weather conditions in most of the Volga region. Official reports estimate total production at more than 115 million tons, which is about 4 per cent below the 1940 crop. There was also a substantial increase in the production of cotton and other industrial crops partly as a result of the restoration of incentives to produce them which followed the monetary reform. Livestock numbers also increased, especially in the case of pigs, and it was reported that by the end of 1948 the number of cattle, sheep and goats was restored to the 1940 level.[1] With the further improvement in the supply of tractors and draught animals, there was a further increase in the acreage sown with winter wheat for 1949.

3. TRANSPORT

The volume of goods carried on European railways outside Germany had already reached its pre-war level by 1947 and in 1948 there was a further rise of 13 per cent, equal to the relative increase in industrial and agricultural production in the same period. Throughout 1947 and 1948, the volume of goods carried on railways has maintained its pre-war relationship to industrial production. However, the volume of goods traffic, measured in ton-kilometres, has expanded sharply since the war and it has been estimated that, in 1947, the average length of haul was 27 per cent above 1938 as can be seen in Table 15. Because the average load per wagon was considerably larger than in 1938, the railways have been able to move the increased traffic despite the fact that far fewer wagons were available for use than before the war. During 1948 there was no noticeable change in the average length of haul or in the average load per wagon, although both were expected to fall with the gradual return to more normal conditions. The equipment of Europe's railways has, however, improved considerably during the year and the time required for the turn-round of wagons in most countries, notably in Germany, was greatly reduced as a result of improved operating methods and the reconstruction of marshalling yards. At the same time, the number of wagons and locomotives awaiting repair fell appreciably and the number of both wagons and locomotives available for use increased correspondingly, although, owing to extensive scrapping, there was no increase in total numbers. With further increases in the number of lorries available, the volume of road transport similarly increased considerably in the past year.

Inland water transport has recovered substantially, particularly on the Rhine and also on the Danube. The volume of traffic on the Rhine increased by 60 per cent as compared with 1947, although it was still appreciably less than one-half the pre-war volume. Ocean freight traffic has also increased as a result of the higher volume of overseas trade. The recovery in port activity was substantial in Poland and Germany, where production rose rapidly, and also in the Netherlands, which is dependent on German transit traffic. Traffic through Belgian ports had, however, diminished in the summer of 1948 as a general symptom of the changing economic conditions of Belgium. The volume of traffic in the great continental ports was still extremely low in relation to pre-war and reached only about one-half the pre-war level in Belgium, France and Poland, and about one-quarter in Western Germany and the Netherlands.

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[1] In last year's SURVEY (p. 153), pre-war livestock figures referred to 1938. Since then, figures for 1940 which are used here have become available. It should be noted that they are somewhat lower than those for 1938.

Table 15

FREIGHT TRANSPORT BY RAILWAY

Thousands of tons, millions of ton-kilometres and index numbers — 1938 = 100

Country	GOODS CARRIED				GOODS TRAFFIC				AVERAGE LENGTH OF HAUL		
	1938 (Thousand tons)	Index numbers *(1938=100)*			1938 (Million ton-kilometres)	Index numbers *(1938=100)*			Index numbers *(1938=100)*		
		1946	1947	1948 [a]		1946	1947	1948 [a]	1946	1947	1948 [a]
Austria	..	..	..	..	3,888	74	113	160	..	..	..
Belgium	63,000	81	95	104	5,148	91	114	121	112	120	116
Bulgaria	5,500	128	154	179	..	..	..	..	..	..	..
Czechoslovakia [b]	73,764	78	88	102	10,620	87	107	120	112	122	118
Denmark	5,100	177 [c]	173	154	..	..	..	..	..	..	..
Finland	13,320	106	114	116	..	..	..	..	..	..	..
France [d]	132,288	95	106	126	26,520	122	140	155	128	132	123
Germany : French Zone [d]	..	..	..	..	8,556 [c]	28	41	57	..	..	..
Greece	1,599	..	31 [c]	31	210	12	28 [c]	28	..	90	90
Hungary	20,088	47	82	108	2,616	52	98	129	111	120	119
Ireland	..	..	..	..	383	158	144	141	..	..	..
Italy	46,572	62	76	80	11,137	76	108 [c]	..	123	142	..
Luxemburg	7,312	112	164 [c]	..	404	49	84	139	54	51	..
Netherlands	14,587	92	111	128	2,040	94	114	157	102	103	123
Norway [e]	4,166	116	128	128	780	120	139	158	103	109	123
Poland	..	..	..	..	22,368	87	103	123	..	..	..
Portugal	3,888	146	132	135	..	..	..	..	..	..	..
Spain [f]	26,496	102	107	85	..	..	..	..	..	..	..
Sweden [g]	41,204	110	107	113	5,020	164	163	174	149	152	154
Switzerland	13,872	122	131	139	1,538	106	115	..	87	88	..
Turkey	3,226	256	269	309	965	261	290	255	102	108	83
United Kingdom [h]	258,400	102	100	106	26,160	129	126	134	126	126	126
TOTAL of above countries [i]	734,382	95 [c]	102	115	128,353	102	117	131	..	..	..
TOTAL of countries for which both goods carried and ton-kilometres are known	680,078	93 [c]	100	113	93,158	113	127	145	122	127	128

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations, and national statistics. For details, see Appendix B.

NOTES. — Unless otherwise specified, the data refer to main lines traffic. The figures for Belgium, Czechoslovakia, Denmark, France, Norway and Switzerland include data for State railways only.

For those countries in which there have been territorial changes since 1938, freight transport in the post-war territory has been related to 1938 freight transport in the pre-war area.

[a] Provisional.

[b] Quantities and index numbers refer to 1937.

[c] Estimate. For details, see Appendix B.

[d] Excluding the Saar.

[e] Excluding the transport of Swedish minerals across northern Norway.

[f] Tonnage and index numbers refer to 1942.

[g] All traffic is included. Ton-kilometres are estimates based on data for State railways only.

[h] Excluding Northern Ireland.

[i] The totals in each section of the table do not always refer to the same countries but include only those countries for which data are shown.

In the Soviet Union, the volume of goods loaded on the railways increased by 19 per cent, inland water transport by 29 per cent, ocean freight transport by 11 per cent and road freight transport by 23 per cent over 1947. The expansion in the volume of goods transported was therefore rather less than the increase in industrial production. However, the volume of railway traffic measured in ton-kilometres expanded by 27 per cent and exceeded the volume of traffic in 1940. The volume of road transport was about one-half above 1940.

4. THE GEOGRAPHICAL DISTRIBUTION OF INDUSTRY

To assess the changes in the relative position of the different European countries, and the position of Europe in the world economy, estimates have been made of the net value of the commodity output of European countries in terms of pre-war dollars and these are shown in Table 16. The net value of the output of industry in 1938 (mining, power production and manufacturing, including handicrafts but excluding building) and the average net value of agricultural production for the years 1934-1938 have been estimated.[1] The estimates have been extended to post-war years by applying the index-numbers of industrial and agricultural production. The figures are thus necessarily subject to margins of error, with regard to both comparisons between countries and movements from year to year. It should be borne in mind in particular that, in the case of industry, general index numbers of production may not give an accurate representation of the movement of the net value of output ; and that, in the case of agriculture, output expressed in pre-war world prices may move differently from output valued in domestic prices.[2]

The estimates show that the total value of commodity production in Europe increased by some $5,000 million in pre-war prices between 1947 and 1948, but that it was still $5,000 million or 11 per cent lower than in 1938. Excluding Germany, however, the value of output of commodities in 1948 was $2,000 million or 7 per cent higher than in 1938. Two-thirds of this increase above pre-war represents the increase in the output of the United Kingdom, which amounted to $1,350 million. The remainder was made up by small increases over pre-war in most other countries, except some of the war damaged countries of Eastern Europe, which, however almost reached their pre-war output after the inclusion of Silesia. Average commodity output per head of Europe's population at $101 was 11 per cent lower in 1948 than in 1938. Outside Germany, however, commodity output per head in 1947 was almost at the 1938 level, and by 1948 had risen 7 per cent above it.

Table 16 shows also that there is a close connection between output per head and the geographical position of countries, with the British Isles and the Scandinavian countries at one end of the scale, and countries of Southern and Eastern Europe at the other end. The following summary figures illustrate these differences and also the changes that have taken place in the last ten years :

Net Value of Commodity Production Per Head of Population in Dollars of 1938 Purchasing Power

	1938	1947	1948
North-Western Europe	179	181	197
Western Europe	142	132	146
Central and North-Eastern Europe	77	72	88
Southern and South-Eastern Europe	53	46	50
Total Europe excluding Germany	97	94	104
Germany	189	70	90
Total Europe including Germany	113	90	101

European countries fall into four groups with distinct differences in commodity output per head. Before the war, commodity output per head of population was around 180 dollars of 1938 purchasing power in North-Western Europe and Germany, 140 dollars in Western Continental Europe, around 80 dollars in Central and North-Eastern Europe, and about 50 dollars in Southern and South-Eastern Europe. Except for the change in the case of Germany (whose commodity output per head is now below the European average), the war has caused little change in the relative position of the various groups.

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[1] For details of sources and methods of estimation, see Appendix B.

[2] The estimates given in Table 16 differ from the corresponding estimates of the value of pre-war production shown in Table 17 of last year's SURVEY. The differences are partly due to changes in definition, and partly to a revision of the estimates relating to industry. All figures in the present table relate to *net* output, excluding depreciation, whereas last year's figures were gross of depreciation. The figures for agriculture in the present estimate exclude forestry and fishing, which, however, are included in the total output of commodities. Similarly, the figures relating to industry exclude building and construction, which, however, are also included in estimates relating to total output of commodities. New estimates have been made of the value of industrial production in 1938 which are based on the methods set out in Appendix B.

Table 16

NET VALUE OF COMMODITY PRODUCTION

Millions of dollars in 1938 prices

Country	Agriculture			Industry			Total Commodities			Commodity output per head (Dollars)		
	1934–1938	1947/48	1948/49	1938	1947	1948	1938	1947	1948	1938	1947	1948
North-Western Europe												
Denmark	239	182	239	324	376	421	629	645	751	167	156	179
Ireland	186	169	190	125	145	171	337	343	395	115	115	131
Norway	77	66	73	219	237	258	388	442	471	133	141	148
Sweden	258	266	271	771	1,064	1,102	1,281	1,604	1,637	203	236	237
United Kingdom	732	754	842	6,696	7,232	8,102	8,688	8,996	10,024	182	181	200
Western Europe												
Belgium-Luxemburg	273	194	191	830	880	955	1,273	1,244	1,356	147	143	154
France	1,955	1,466	1,662	3,155	2,997	3,407	5,680	5,123	5,799	136	124	139
Netherlands	321	273	289	665	625	745	1,143	1,040	1,214	132	108	124
Switzerland	171	168	171	536	803	805	776	1,066	1,071	185	234	233
Central and North-Eastern Europe												
Austria [a]	203	146	162	400	192	296	683	370	508	101	53	73
Czechoslovakia [a]	466	289	373	875	761	892	1,500	1,180	1,415	103	97	115
Finland	126	89	101	137	164	196	396	379	442	108	97	110
Hungary	305	204	259	241	212	243	580	446	540	63	48	59
Poland	1,164	687	815	711	739	946	2,145	1,638	2,086	62	70	87
South and South-Eastern Europe												
Bulgaria	191	136	191	65	94	111	266	240	313	43	34	44
Italy	1,100	946	990	1,798	1,456	1,564	3,085	2,517	2,679	71	55	58
Rumania	444	355	465	234	170	190	758	575	715	38	35	45
Other countries	1,683	1,484	1,537	1,395	1,704	1,784	3,381	3,498	3,646	36	37	38
Total Europe, excluding Germany	9,894	7,874	8,821	19,177	19,851	22,188	32,989	31,346	35,062	97	94	104
Germany	2,587	1,227	1,408	9,066	3,107	4,129	12,958	4,664	6,067	189	70	90
Total Europe, including Germany	12,481	9,101	10,229	28,243	22,958	26,317	45,947	36,010	41,129	113	90	101
United States [a]	5,580	7,870	7,980	21,500	35,500	36,550	29,030	46,490	47,740	225	323	331

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

Notes. — Industry is comprised of manufacturing and handicrafts, mining and power production. "Total commodities" include forestry, fishing and building in addition to agriculture and industry.

[a] The pre-war data for industry refer to 1937 but are expressed in 1938 prices.

The table shows that the increased output per head was concentrated among the North-Western and the Central and North-Eastern countries; output per head in the Southern group shows a slight fall. The differences in output per head between countries in the highest and the lowest group have thus tended to become even greater in the last ten years, and in 1948 commodity production per head among the countries of North-Western Europe was about four times as high as in the Southern and South-Eastern countries.

Table 17

THE GEOGRAPHIC DISTRIBUTION OF INDUSTRY IN EUROPE

Pre-war totals = 100

Country	Net Output of Industry			Energy Consumption			Iron and Steel Making			Finished Steel Consumption			Basic Textiles		
	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948
Austria	1.4	0.7	1.0	1.1	1.0	1.3	1.2	0.8	1.3	1.3	0.6	1.1	1.0	0.8	0.9
Belgium-Luxemburg	2.9	3.1	3.4	4.2	4.3	4.5	7.2	9.0	12.1	2.2	4.1	4.7	3.0	5.1	4.4
Bulgaria	0.2	0.3	0.4	0.2	0.4	..	—	0.2	0.2	0.2	0.2	0.1	a	a	a
Czechoslovakia	3.1	2.7	3.2	3.4	4.2	4.5	3.4	4.4	5.0	3.2	4.3	5.2	3.5	4.0	4.2
Denmark	1.1	1.3	1.5	0.9	0.8	0.8	—	0.1	0.2	0.9	0.9	0.9	a	a	a
Finland	0.5	0.6	0.7	0.8	0.7	0.7	0.2	0.2	0.3	0.6	0.4	0.1	a	a	a
France	11.2	10.6	12.1	11.7	11.9	12.2	12.1	12.7	16.4	10.3	13.3	16.4	13.5	14.5	15.8
Germany	32.1	11.0	14.6	29.2	15.3	17.2	42.8	6.2	11.2	42.0	7.7	13.8	27.5	7.0	10.3
Hungary	0.9	0.8	0.9	0.7	0.7	0.8	1.1	1.1	1.4	1.1	1.1	1.3	1.2	1.0	1.2
Ireland	0.4	0.5	0.6	0.4	0.4	..	—	—	—	0.2	0.1	0.2	a	a	a
Italy	6.4	5.2	5.5	3.8	4.0	3.6	4.3	3.1	3.8	5.2	4.1	5.2	8.4	7.5	8.1
Netherlands	2.4	2.2	2.6	2.1	2.3	2.2	0.2	0.4	0.6	2.4	2.4	3.7	2.2	3.6	3.1
Norway	0.8	0.8	0.9	1.3	1.5	1.7	0.1	0.1	0.2	0.5	0.9	0.8	a	a	a
Poland	2.5	2.6	3.3	3.7	5.8	6.2	2.8	3.1	3.5	2.4	3.5	3.7	3.9	3.5	4.5
Rumania	0.8	0.6	0.7	0.8	0.7	..	0.5	0.4	0.5	0.6	..	..	a	a	a
Sweden	2.7	3.8	3.9	2.2	2.8	3.0	1.9	2.3	2.3	2.6	4.3	4.3	1.8	2.0	2.0
United Kingdom	23.7	25.6	28.7	27.7	28.6	30.7	20.7	24.9	29.2	20.7	25.0	29.1	24.1	23.8	25.6
Other European countries	6.9	8.9	9.2	5.8	5.6	..	1.5	2.0	2.6	3.6	5.9	6.1	9.9	11.3	10.8
Total Europe (excluding U.S.S.R.)	100.0	81.3	93.2	100.0	91.0	97.8	100.0	71.0	90.8	100.0	78.8	96.7	100.0	84.1	90.9

Source. — Research and Planning Division, Economic Commission for Europe.

Notes. — " Energy consumption " includes coal, brown coal and lignite, oil, hydro-electricity and fuelwood (converted to coal equivalent) " iron and steel making " includes pig-iron, crude steel and finished steel production ; " basic textiles " include cotton, wool, rayon yarn production and consumption.

For details of methods of computation and clarification of discrepancies between this table and other tables in this chapter, see Appendix B.

a Included in " Other European countries ".

Changes in the geographical structure of European industry since the war are set out in more detail in Table 17, which, in addition to the percentage distribution of total industrial output, shows the percentage distribution of iron and steel and textile production and of finished steel and total energy consumption. All the data are expressed as percentages of the corresponding European total for 1938.

The most significant change in each case is the fall in the relative share of Germany in European production. In iron and steel making, German production fell from 43 to 11 per cent of the 1938 total, in finished steel consumption from 42 to 14 per cent, and in textile production from 28 to 10 per cent.

In iron and steel making, the increase in production in other European countries made up for rather more than two-thirds of the fall in German production. The major part of this was accounted for by the United Kingdom and Belgium. In textiles—an industry in which Germany was less important—the fall in German output amounted to one-sixth of the European total of which one-half was replaced by other countries. In contrast with metals, the United Kingdom replaced Germany to only a minor extent, and in so far as German output was made good by other European countries, the increase in production was shared fairly evenly by the smaller producers.

The most important changes have not, however, occurred inside Europe, but in the position of Europe in relation to the rest of the world. This is illustrated by the comparison of the changes that have taken place in industrial production in Europe and the United States, which are shown in Table 18. Whereas

Table 18

PRODUCTION IN THE U.S.A. IN RELATION TO EUROPEAN PRODUCTION

Europe, excluding the U.S.S.R. = 100

Item	Pre-war [a]	1947	1948
Industrial production	76	151	135
Metals and engineering	86	212	179
Chemicals	51	141	116
Textiles	49	105	92
Agricultural production	45	86	72
Coal production	78	133	116
Oil consumption	339	542	530
Electric energy production	98	162	162
Total energy consumption [b]	122	170	. .
Iron ore production	114	237	200
Pig iron production	91	207	157
Crude steel production	101	208	171
Merchant ships (tons launched)	7	9	6
Motor vehicles : passenger cars	260	896	742
commercial vehicles	249	481	437
Cotton yarn production	83	146	123
Wool yarn production	30	61	56
Rayon filament yarn production	66	158	156
Rubber consumption	151	309	224
Sawn softwood production	100	151	147
Cement production	46	103	92

Sources. — The figures are derived from data in Tables 1, 5 to 8, 10, 14 and 17 in Chapter I and Tables I to XII in Appendix C.

[a] U.S. production in 1937 related to production in Europe (excluding the U.S.S.R.) in 1938, with the exceptions of sawn softwood where both figures relate to 1937, and of oil, merchant ships and motor vehicles where both figures relate to 1938.

[b] Including consumption of coal, brown coal, oil, hydro-electric energy and fuelwood (converted to hard coal equivalent).

before the war the industrial output of Europe was one-third larger than that of the United States, in 1948 it was scarcely even less than three-quarters of the United States output. Considering a longer period, Europe's share in the manufacturing production of the world has fallen from 68 per cent in 1870 to 42 per cent in the period 1925-1929 and 35 per cent in 1937. In 1947 it was only about 22 per cent, and in 1948 about 25 per cent.

In Table 18, the changes in the relative production of Europe and the United States are shown in more detail for various branches of activity. It can be seen that, while the United States roughly doubled her production in relation to Europe between 1938 and 1947, there was a considerable improvement in Europe's relative position between 1947 and 1948 due to the relatively greater increase in European production in this period : industrial production in the United States increased by 3 per cent and in Europe by 16 per cent. In the United States—and similarly in Sweden and other countries where progress was comparatively uninterrupted during the past ten years and where productivity in consequence is substantially above pre-war—output per man thus appears to be rising at only the moderate rates typical of normal times. In Europe, on the other hand, productivity appears to be rising at unusually high rates as the effects of the war are overcome and conditions of production begin to reflect the technical advances of the intermediate years.

Chapter 2

THE PROGRESS TOWARDS INTERNAL EQUILIBRIUM

Though inflationary pressure is still a serious problem in some European countries, the general development of internal financial conditions during the past year has, in most countries, been characterized by marked progress towards more stable conditions. This general statement, which, of course, needs much modification when individual countries are considered, is supported by such evidence as is available on the movement of prices and wages, on monetary developments and on changes in public finance, as well as by the developments in foreign trade which are discussed in a later chapter.

1. Movements of Prices and Wages

In most European countries the level of prices, as measured by wholesale price indices, continued to rise during 1948, although at a definitely slower pace than in the preceding year. Apart from France and Greece, where active inflation has continued, the rate of increase during 1948 was in most countries around 2 to 5 per cent as against 10 to 20 per cent during the previous year. It also appears from the quarterly figures given in Table 19 that the price level was becoming increasingly stabilized in the course of the year.

Apart from internal inflationary pressures, one of the factors responsible for the rise in the price level has been the continued rise, for a number of years, in world market prices of raw materials, as typified by price movements in the United States. A comparison of the European and the United States price indices given at the bottom of Table 19 suggests that the general trend of European prices since the end of 1946 has not been dissimilar to the movement of prices in the United States, and the slight fall in prices which occurred in the United States in the second half of 1948 is also reflected in the movement of wholesale prices in a number of European countries.

While in the case of food and feeding-stuffs the internal prices of most European countries are fixed irrespective of prices abroad, movements in the prices of mineral raw materials and such agricultural products as cotton and wool, which are not produced extensively in Europe, have a direct and immediate effect on price and cost structures in European countries. This appears, moreover, to be reflected in the movement of Europe's import prices, which, as shown in Chapter 5, has corresponded fairly closely to the movement of United States prices (although Europe's export prices have risen considerably more than corresponding prices in the United States).

Table 19

THE DEVELOPMENT OF WHOLESALE PRICES IN EUROPEAN COUNTRIES AND IN THE U.S.A.

Index numbers based on 1938 and percentages

Country	General Wholesale Price Index *(1938=100)*		Yearly Percentage Increase			Quarterly Percentage Increase			
	I.1946	I.1949	I.1946-I.1947	I.1947-I.1948	I.1948-I.1949	I.1948-IV.1948	IV.1948-VII.1948	VII.1948-X.1948	X.1948-I.1949
Austria[a]	96[b]	367	13[c]	148	20	1	— 2	18	2
Belgium	285	404	14	19	5	9	—	— 3	—
Czechoslovakia	278	338[d]	13	3	5[e]	—	3	—	2[f]
Denmark	182	234	10	8	8	2	4	—	1
Finland	539	954	17	42	6	5	4	— 1	— 2
France	479	1,947	81	69	33	6	9	11	3
Greece	15,300	29,320	20[g]	42	23	6	1	3	12
Hungary[h]	530[i]	629	6[j]	17	— 5	4	— 5	1	— 4
Ireland	200	230[d]	3	14	— 1[e]	—	— 1	—	— 1[f]
Italy	2,669	5,767	41	43	7	— 2	— 2	11	1
Netherlands[k]	236	291[d]	13	4	4[e]	—	—	2	2[f]
Norway	167	182	2	5	1	1	1	— 1	1
Poland[l]	9,500[m]	13,300[n]	..	15	—[o]	— 1	1	—[p]	..
Portugal	251	249[d]	—	— 8	8[e]	—	4	1	2[f]
Spain[q]	325	468[d]	24	10	5[e]	— 2	3	4	—[f]
Sweden	167	195	5	6	5	3	1	1	—
Switzerland[h]	200	214	1	7	— 2	—	—	— 1	—
Turkey	447	492[d]	— 3	3	10[e]	11	— 8	1	6[f]
United Kingdom	170	218	5	17	4	3	1	— 1	1
United States	135	204	33	17	— 3	— 2	4	— 2	— 2

Sources. — The figures are derived from the *Monthly Bulletin of Statistics*, United Nations, and from national statistics.

[a] Cost of living in Vienna. Base of the index numbers : March 1938.

[b] April 1946.

[c] April 1946-January 1947.

[d] December 1948.

[e] January-December 1948.

[f] October-December 1948.

[g] Average 1946 to average 1947.

[h] Base of the index numbers : August 1939.

[i] August 1946.

[j] August 1946-January 1947.

[k] Base of the index numbers : July 1938-June 1939.

[l] Retail prices of unrationed goods and services, Warsaw.

[m] Average 1946.

[n] September 1948.

[o] January-September 1948.

[p] July-September 1948.

[q] Base of the index numbers : 1936.

Available statistics on the movement of wages during recent years leave the same impression of a damping-down of the inflationary process. As is shown in Table 20, wages in industry rose from 1947 to 1948 in all countries for which information is available, but in most cases the relative increase was considerably smaller than in the preceding year. Apart from Austria, where the increase was part of a deliberate adjustment of prices and wages, Finland, France and Italy were the only countries in which wages rose substantially. In other countries the increase in the wage level was only about 5 per cent which was in most cases less than the increase in industrial productivity during the year, as can be seen by comparison with Table 4. An important exception is Sweden, where wages rose by about 8 per cent while the rise in productivity was only 3 per cent.

Table 20

THE LEVEL OF AVERAGE HOURLY EARNINGS IN INDUSTRY

Index numbers based on 1938 and percentages

Country	Index numbers (1938 = 100)			Percentage increase	
	1946	1947	1948	3rd quarter 1946 to 3rd quarter 1947	3rd quarter 1947 to 3rd quarter 1948
Belgium [a]	300	350	..	17	..
Bulgaria [b]	662	731	..	10	..
Czechoslovakia [c]	304	313	317	3	1
Denmark	178	185	200	4	8
Germany :					
United States Zone	118	123	138	4	12
British Zone	..	..	..	7	4
Soviet Zone	..	..	..	..	11
Ireland [d]	136	161	170	18	6
Netherlands [c]	193	206	213	7	3
Norway	166	184	..	11	..
Spain	183	199	..	9	..
Sweden	164	190	206	16	8
Switzerland [c]	164	175	183	7	5
United Kingdom	191	209	220	9	5
Austria	93	164	274	76	67
Finland	635	890	1165	40	31
France	455	635	1015	40	60
Italy [c]	1,761	4,056	5,223	130	29

Sources. — The index numbers have been derived from data in national statistics. For details, see Appendix B.

Note. — The indices for each country indicate the level of average hourly earnings in manufacturing, mining and public utilities and, in some instances, in the building industry and transport. For the most part, the figures refer to the third quarter of each year. For details, see Appendix B.

[a] Base of the index numbers : 1936-1938. The figures for 1946 are estimates. See Appendix B.

[b] Daily wages.

[c] Wage rates. The base of the index numbers for Czechoslovakia is March 1939 ; for the Netherlands, 1938-1939 ; for Switzerland, the first half of 1939.

[d] The figures for 1947 and 1948 refer to weekly earnings,

2. THE MONETARY POSITION

In order to assess the extent to which inflation is still active in the economies of European countries, it is not sufficient to consider actual movements in prices and wages. A relative stability in the price level is not, in itself, an adequate indication that inflationary pressure has been overcome. A rise in prices, on the other hand, may, in certain circumstances, be the consequence of a deliberate adaptation of the price level to costs, or to the general monetary situation, and thus be a symptom of progress towards internal equilibrium, rather than a symptom of inflation.

As described in last year's SURVEY, the basic disequilibrium, which is at the root of inflationary tendencies in whatever form they appear, is that expenditures on capital account (*i.e.*, government loan expenditure, private capital outlay, and additions to stocks) are excessive in relation to the amount of saving that is forthcoming with a given price and income structure. The different forms in which inflation appears depend on the way in which this gap between expenditures on capital account and spontaneous savings is closed. In countries of suppressed inflation, where the stability of the price structure is preserved by an extensive system of controls, the gap is closed through a limitation of actual expenditure by means of rationing and allocation measures. In countries of open inflation where prices are free to soar, the gap is closed through the enforced change in the distribution of income brought about by the rise in prices.

A prolonged period of inflationary pressure, whether it results in open or in suppressed inflation, tends to generate forces to maintain that pressure, even after the basic factors that were originally responsible for the inflation (for example, excessive expenditure connected with the war or its aftermath) have ceased to operate. In the case of suppressed inflation, the inflationary period leaves behind a legacy in the form of a large accumulation of liquid funds in the hands of the public, which are more in the nature of pent-up consumers' demand waiting to be expended at a favourable opportunity than of genuine savings, and which tend to raise potential consumers' expenditures well above the normal level in relation to incomes. In the case of an open inflation, the legacy of inflation is the lack of confidence of the public in the future of the currency which leads to the speculative hoarding of stocks in the expectation of rising prices, and thereby increases the pressure on prices.

The problem of restoring conditions of monetary stability in the various countries after the war involved, therefore, something more than a mere cessation of the deficit spending which originally gave rise to inflationary conditions; it was necessary to overcome, in addition, the legacies which the deficit spending of the past had left behind. Countries which suffered from open inflation were faced with the further problem of avoiding a deflationary crisis following upon the re-establishment of confidence in the future of the currency and the resulting dis-hoarding of speculative stocks which were previously accumulated.

In addition to the efforts to restore budgetary stability—in which, as will be shown below, most countries made notable progress in the past year—the different countries of Europe relied on three distinct methods for the re-establishment of monetary stability. In countries where the accumulation of liquid funds reached quite abnormal proportions, the method followed was the cancellation of money by means of monetary reform or the reduction of its value by means of a deliberate increase in the price and wage level. The monetary reforms carried out in the Soviet Union in December 1947 and in the various occupation zones of Germany in the summer of 1948 and the policy of trebling the price and wage level initiated in Austria in 1947 are examples of this. In other European countries which showed symptoms of suppressed inflation, but where the accumulation of liquid funds had not reached the same dimensions, reliance was placed on the enforced adjustment of the relationship between savings and investment, by the adoption of either or both of two policies: the policy of budgeting for a surplus of government revenue over expenditure (as for example in Denmark, Sweden and the United Kingdom), or the policy of curtailing investment either by restricting public investment (as in Norway and to some extent in the United Kingdom), or through tighter controls over private investment as was the case in Sweden. Finally, countries which experienced open inflation attempted to deal with the problem of speculative investments in stocks through quantitative limitations on bank credit (as in Belgium, Italy and France).

The Monetary Reforms in the Soviet Union and Germany

The monetary reform of the Union of Soviet Socialist Republics of December 1947 involved a levy on all accumulated holdings of cash, bank deposits and State bonds, amounting to 90 per cent for all cash in circulation and smaller ratios for other types of assets (varying between 66.6 per cent for most bond holdings to total exemption for savings bank accounts below 3,000 roubles). The reform was timed to coincide with a considerable improvement in supplies of consumers' goods, both foodstuffs and manufactures, and was combined with the simultaneous and complete abolition of rationing and of the multiple price system which had been introduced during the war. Under that system the basic rations were sold at low prices, while additional supplies could be bought at considerably higher prices in the State commercial shops and in the collective farm bazaars.

The new unified prices introduced by the monetary reform were, in the case of staple foodstuffs, fixed at, or just below, the level of the previous prices for rationed goods, whilst in the case of manufactured goods they were fixed at a higher level than the rationed prices but much lower than the " free " prices which existed under the multiple price system before the reform. Since its introduction, further reductions in the level of prices have been effected.[1]

The fact that the monetary reform took place at a time when real income was rapidly rising made it possible to introduce important modifications in the pattern of income distribution without reducing the real income of any important group of the population. Thus, although it was the rural population that was most adversely affected by the monetary reform itself, because, during the war, the surplus purchasing power had mostly accumulated in their hands, they were, in terms of real income, no worse off but probably somewhat better off as a result of the reform. The fall in the prices of agricultural products in the collective farm bazaars was roughly compensated by the corresponding decrease in the prices of manufactured consumers' goods, while the prices for the produce delivered to the State remained unchanged. The most important consequence of the reform for the urban population was the relative increase in the real income of skilled workers and higher-paid employees who previously spent an appreciable part of their income on expensive unrationed goods and now benefited from the unification of the price system. This differentiation of real wages—as well as the abolition of rationing—had a considerable effect on incentives and labour productivity, and was undoubtedly an important factor in the remarkable increase in production achieved in 1948.

The restoration of the regulating functions of money earnings was coupled with a stricter application of cost-accounting in enterprises. Following the reform, an upward revision of wholesale prices in the basic industries and of transport charges was carried out in order to make them conform to actual costs of production, and thus to obviate the need for State subsidies. At the same time, continual stress is laid on the necessity for reducing production costs in order to increase the profits of State enterprises on the basis of fixed prices. Thus, money and prices have again become essential regulating factors in economic life.

The monetary reforms carried out in Germany in June 1948 also had spectacular effects in the form of rapid increases in production. The main features of these reforms were very similar to those of the Soviet monetary reform, except that bank deposits and bonds as well as cash in circulation were generally revalued at the ratio of 10 to 1 in Western Germany. The immediate effect was that commodities which had hitherto been hoarded appeared for sale. As a result, wage-earners could again buy a wide range of commodities out of their earnings, and this greatly increased incentives to work.

Following the monetary reform, the greater part of the elaborate and only partially effective system of allocations and price controls in Western Germany was abolished, and the general level of prices increased steadily up to the end of the year. This rise in prices may, on the whole, be regarded as a necessary adaptation of price-cost relations to the current levels of money incomes and productivity. However, it could not be said that the problems incidental to the change-over from a controlled to a more liberal system of economy in the Western Zones of Germany have yet been satisfactorily solved. The co-existence of a largely uncontrolled economic system and of conditions of low real income make a highly restrictive credit and taxation policy necessary if inflation is to be avoided ; and this restrictive policy may well prove incompatible with the maintenance of anything like a full utilization of resources.

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[1] The latest of these, announced on 28 February 1949, covered all important consumers' goods, both foodstuffs and manufactures, the price reductions ranging from 10 to 20 per cent or more.

The currency reform and the abolition of price controls in Western Germany brought about a shift in the distribution of income in favour of profits, mainly in the sphere of commerce. While this shift in relative incomes helped to increase savings, it also had the effect of directing an undue proportion of current investment into commerce, catering and other service industries, and to the construction of private houses—all of which are fields which have a comparatively low priority from the point of view of the economy as a whole. While prior to the monetary reform a disproportionate part of available building materials found its way through black-market channels into the hands of the agricultural population, at the present time these highly scarce investment resources appear to be equally misdirected to luxury investments in the towns.

The Policy of " Disinflation "

The policy of so-called " disinflation " pursued by some of the countries which suffered from suppressed inflation has not had such spectacular effects as the monetary reforms in the Soviet Union, Germany or Austria; nor has it been associated with sudden or far-reaching shifts in the distribution of real income between the different social groups of the community. It has led, however, to a marked relaxation in the pressure of excessive demand, which is evident in the gradual relaxation of rationing (of which the ending of clothes rationing in the United Kingdom is one example) and also in the trend of expenditure on those non-essential and unrationed goods or services which, under typical conditions of suppressed inflation, meet a heavy demand from surplus buying power in the hands of the consumer. Table 21 shows the changes that have taken place in expenditure on entertainments in Denmark, in retail sales of non-essential goods in Sweden, and in passenger traffic during the holiday months in the United Kingdom. Although no hard-and-fast conclusions can be drawn from such scattered information, the figures clearly point towards a relaxation of buying pressure in these fields.

Table 21

RELATIVE CHANGES IN THE SALES OF NON-ESSENTIAL CONSUMERS' GOODS AND SERVICES

Country and item	Percentage increase	
	1946-1947	1947-1948
Denmark :		
Tax receipts from cinemas, theatres and other entertainments :		
January-March	..	7
April-June	..	6
July-September	12 [a]	−3
October-December	5	−7
Sweden : [b]		
Turnover in private retail trade (current prices) :		
All branches	10	7
of which :		
Fruits and confectionery	6.6	−0.3
Furs and leather goods	29.1	8.3
Jewellery and watches	11.7	3.9
Musical and art objects, antiques and flowers	15.2	−3.1
Photographic equipment	20.8	3.5
United Kingdom :		
Number of railway journeys by passengers :		
July	−7	−10
August	−8	−10

Sources. — *Vareomsaetningen ned Udlandet; Översikt över det ekonomiska läget 1946-1949,* Meddelanden från Konjunkturinstitutet, Serie B:9, p. 35 ; *Transport Statistics, British Transport Commission* ; and *Monthly Digest of Statistics,* His Majesty's Stationery Office, London.

[a] August-September.

[b] The percentage increase 1947 to 1948 refers to the first 9 months of each year.

It must of course be borne in mind that, since the war, inflationary pressure has been considerably relieved by the deficits in the balance of payments of most European countries. To the extent that the various countries succeeded in 1948 in achieving a closer balance in their foreign accounts by restricting imports or expanding exports, their efforts to achieve internal equilibrium needed to be much more severe if they were to be effective. This may partly explain why not all countries suffering from suppressed inflation have so far succeeded in reducing inflationary pressure. In Czechoslovakia and also perhaps in Norway, the available evidence (which is discussed later in this chapter) seems to indicate that inflationary pressure has not receded during the past year. Czechoslovakia has recently introduced a multiple price system (similar to the one prevailing in the Soviet Union before the monetary reform) with the object of alleviating the problem of surplus purchasing power.

Deflationary Symptoms

While the rise in the price level continued in 1948 (though at a more moderate rate) in some of the countries of open inflation, in others inflation was definitely halted and was succeeded by distinct deflationary symptoms. This was the case in Italy, where the inflation, which carried prices to over sixty times the pre-war level, was halted in September 1947 and was followed by a period of falling prices during which wholesale prices fell by some 20 per cent. In the course of this period, there was a marked setback in economic activity; unemployment, which had persisted on a large scale even during the period of inflation, became more severe, and production in a number of industries showed a downward trend. The turn in the monetary situation appears to have been largely caused by the restrictions on bank credit introduced in the summer of 1947, which put an end to the speculative hoarding of commodities which was largely financed by bank credit. Though deficit spending by the Government continued, and the monetary circulation continued to rise, the restrictions on bank credit were sufficient to bring about some liquidation of stocks of commodities (or at least to put an end to further increases in stocks), thereby setting in motion a cumulative process of falling prices, mainly through the effect on price expectations. This, in turn, caused a falling-off of long-term investment activity and led to general symptoms of depression throughout the economic system. The Italian experience thus provides a striking example of how easily and swiftly inflation can be turned into deflation once it has proceeded far enough for expectations of future prices to become volatile. In the course of 1948, the position became more stable and a considerable revival of exports improved the level of industrial production, though it did not in any way solve the basic problem of chronic unemployment.

Deflationary symptoms have also manifested themselves in the past year in Belgium. There was a notable setback in the consumers' goods industries, and unemployment reached considerable dimensions towards the end of 1948. It appears to have been mainly caused by the growing effects of the restrictive credit policy initiated by the Government in 1946, the purpose of which was to improve the trade balance by reducing internal prices to a level more in line with the external value of the currency. Although this policy seems to have been ineffective in reducing prices (wholesale prices rose by some 20 per cent in the course of 1947 and by a further 9 per cent in the first half of 1948), exports have been steadily increasing. However, the restriction of long-term investment activity induced by the policy of credit restrictions seems to have more than offset the rise in exports and caused a marked falling-off in consumers' demand.

In France, the rise in the price level continued in 1948, although a number of important changes occurred in the basic situation which foreshadowed an early end of the inflation. In the first place an unprecedented fiscal effort, particularly in the form of direct taxation and also in economies in government expenditure, made it possible to keep the monetary circulation stable despite the rising level of wages and prices. In the latter half of 1948, credit restrictions (similar to those introduced in Italy in the previous year) discouraged speculative investment. Favourable weather conditions led to an abundant harvest comparable with that of the best pre-war years. Finally, a change in the price structure, which led to a substantial increase in the prices of industrial products in relation to agricultural prices, compelled the farmers to offer a higher proportion of their produce for sale, and raised profits in large-scale industry where they did not affect consumption; thus a reduced propensity to consume by the urban population was combined with an increased supply of goods available for consumption.

In the past year there were two distinct periods of price inflation in France. The first occurred in January and February 1948 as a result of the increase in wages and the adjustment of industrial prices which had been decided upon at the end of the previous year. From March to June, retail prices remained virtually stable, but in the third quarter of the year official agricultural prices were raised and there followed a new series of wage increases. In the last quarter of the year, prices again remained stable in spite of the strikes in the coal mines which caused a certain fall in industrial production in November. Towards the end of the year, the effects of the good harvest on the level of agricultural prices were increasingly felt and a more pronounced series of price reductions followed in the early part of 1949. This, combined with other factors, contributed to renewed confidence in the currency, which was further strengthened by the success of the new long-term public loan. So far there is no indication that the change in the price and monetary situation will develop into a general deflationary movement of the type normally associated with the ending of open inflations.

Movements in Currency Circulation

In last year's SURVEY, the monetary situation of the different countries was analysed in terms of the relative movements in the real value of cash holdings, which was defined as the ratio of currency in circulation to retail prices. As was indicated above, the existence of a high state of liquidity (*i.e.*, of a large increase in the real value of cash holdings as compared with pre-war) is characteristic of countries under suppressed inflation, where the currency circulation necessarily increases far more than the level of prices. For countries under open inflation, the opposite is symptomatic: the real value of cash holdings tends to fall with the reduced confidence in the currency. The rise in the real value of cash holdings is not, of course, in all cases a sufficient indication of the presence of inflationary pressure, since real incomes may have risen, or there may have been, in some countries, a genuine increase in liquidity preference as a result, for example, of a change in the distribution of income in favour of the agricultural population, which traditionally holds a relatively large part of its assets in liquid form.

On the whole, the movement in the real value of cash holdings in 1948 (shown in Table 22) confirms the tendencies described in last year's SURVEY. In a few countries, inflationary pressure seems to have continued with undiminished strength. This appears to have been the case in Czechoslovakia and Norway, where the real value of the monetary circulation is almost three times as high as before the war and has shown a rising, rather than a falling, tendency during 1948. In most of the other countries, however, where the real value of cash holdings may be regarded as abnormally high, the pressure of excess liquidity appears to have diminished; this is even more true than would appear from the figures, which take no account of the rise in real incomes in the past year.

Among the countries where the state of liquidity was abnormally low, there have been notable increases in the cases of Hungary and Poland. The increase in the real value of cash holdings from 1947 to 1948 amounted to 45 per cent in Hungary and 30 per cent in Poland. At the same time, real income rose by about 20 per cent in Hungary and 25 per cent in Poland.[1] The return of money circulation to a more normal level is therefore not only due to the increase in production, but also reflects a growing confidence in the currency in these countries, where there were severe price inflations in the past, but where the price level has now been fairly stable for some time. In Italy (as was already described above) the trend of prices was reversed towards the end of 1947 despite the fact that the State continued to resort to the Central Bank and that the note circulation continued to rise. In France, on the other hand, the currency circulation was kept fairly stable in the past year, while the rise in prices continued with a substantial,

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[1] *Cf.* Table 16, Chapter 1.

Table 22

THE LEVEL OF CURRENCY CIRCULATION, RETAIL PRICES AND THE REAL VALUE OF CASH HOLDINGS

Index numbers — 1938 = 100

Quarterly averages

Country	Currency Circulation			Retail Prices			Real Value of Cash Holdings		
	Fourth quarter			Fourth quarter			Fourth quarter		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Norway	402	432	451	160	157	157	251	275	287
Czechoslovakia [a]	545	719	908	339	316	323	161	228	281
Denmark [b]	341	345	336	159	164	169	214	210	199
Sweden [c]	265	272	293	145	149	157	183	183	187
Portugal [d]	365	364	365 [e]	207	208	214 [e]	176	175	171 [e]
United Kingdom	293	299	304	159	170	182	184	176	167
Austria [f]	576	642 [g]	576	119	281 [g]	364	484	228 [g]	158
Ireland	249	275	279	169	178	182	147	154	153
Finland	848	1,122	1,217	471	687	810	180	163	150
Switzerland	203	230	238	155	163	164	131	141	145
Netherlands	264 [h]	281	295	195 [h]	197	208	135 [h]	143	142
Turkey	448	446	477 [e]	339	343	352 [e]	132	130	136 [e]
Spain [i]	395	454	465	402	441	461	98	103	101
Belgium	329	351	366	311	342	376	106	103	97
Poland [j]	6,473 [h]	9,440	12,440 [k]	11,040 [h]	12,970	13,300 [k]	59 [h]	73	94 [k]
Italy	2,284	3,484	4,468	..	5,110	4,875	..	68	92
Hungary	106	220	307	416	498	450	25	44	68
Greece	6,300	10,937	12,925	14,910	20,160	25,570	42	54	51
France	638	801	847	859	1,360	1,900	74	59	45

Sources. — *Monthly Bulletin of Statistics*, United Nations ; *International Financial Statistics*, International Monetary Fund, and national statistics.

Notes. — Indices of currency circulation are based on note and, in most instances, also coin circulation, with the exception of the United Kingdom, where they are based on the total of note circulation and sight deposits.

Index numbers of retail prices are based on official indices of the cost of living, with the exception of Belgium and France (where indices of retail prices are given) and the United Kingdom. In the case of the United Kingdom, the figures are based on an official computation of the level of retail prices relevant to total personal consumption, combined with the official index of the cost of living. The " real value of cash holdings " is the ratio between the indices of currency circulation and retail prices.

The base of the index numbers of currency circulation is the end of 1938 ; that of retail prices : average 1938.

[a] Base of the index numbers : 1937.

[b] Average of the months December-February.

[c] Average of the months November-January.

[d] Base of the index numbers : July 1938-June 1939.

[e] Average of October and November.

[f] Base of the index numbers for currency circulation : end 1937 ; for retail prices : April 1938.

[g] Average of the months August-October.

[h] December.

[i] Base of the index numbers : July 1936.

[j] Indices of currency circulation adjusted for change in population from 1938 to 1947.

[k] September.

though reduced, momentum. The contrast in the experience of these two countries in the past year is difficult to explain except in psychological terms. In Italy, a change in price expectations appears to have given rise to dishoarding of stocks and falling prices. In France, on the other hand, the inflationary mentality appears to have continued though the underlying situation became increasingly stabilized.

The impression thus gained that the general tendency in European countries during 1948 has been towards more balanced conditions is confirmed by the available statistics of the number of bankruptcies. Under the conditions of a " sellers' market " prevailing in the immediate post-war period, the number of bankruptcies was extremely low compared with prewar. As shown in Table 23 there was, however, a remarkably regular increase in the number of bankruptcies during the last two years, which shows that enterprises which had been started under the shelter of abnormal demand are meeting increasing difficulties. It will be noted that in Italy—the first European country to show deflationary tendencies in post-war years—the number of bankruptcies in 1948 has actually reached the pre-war level.

Table 23

NUMBER OF BANKRUPTCIES

Index numbers — corresponding period of 1938 = 100

Country	Period covered	1946	1947	1948
Belgium . . .	January-October	9	27	47
Denmark . .	January-December	36	44	76
Finland . . .	January-September	20	25	22
France . . .	January-June	11	20	40
Italy	January-July	18	34	99
Netherlands .	January-October	11	35	45
Norway . . .	January-November	38	36	53
Sweden . . .	January-November	40	41	54
Switzerland .	January-November	58	68	85

Sources. — The figures have been taken from national statistics.

3. CHANGES IN RELATIVE PRICES

The war and its aftermath brought with them important changes in price relations as compared with the pre-war pattern. Some of these changes were world-wide and were the reflection of special shortages arising from the changed pattern of world production and trade.[1] Others reflect the calculated effect of government policies aimed at the redistribution of income or the promotion of certain lines of economic activity. Finally, there are distortions in the price structure of a more localized character which are largely the by-products of inflationary processes in their different forms.

With the general relaxation of the upward trend of prices in the past year, there was also a tendency for prices of different commodities to move nearer to their pre-war relations. As will be shown in Chapter 5, the movement of world prices during 1948 brought the prices of food products considerably closer to their pre-war relation to the prices of industrial raw materials, and the dispersion of prices in relation to their pre-war norm has become considerably smaller. A similar tendency is also noticeable in the case of a number of European countries.

Table 24 compares the wholesale prices of industrial goods with those of agricultural products in individual countries.[2] It appears that, in countries where price inflation has had more or less open sway, there was a considerable rise in the relative price of agricultural products, owing to the acute shortage of food immediately after the war. It will be noted, however, that in these countries the relative price of foodstuffs dropped considerably between 1947 and 1948. In France, for example, agricultural prices rose by only 35 per cent between October 1947 and October 1948, while industrial prices more than doubled in the same period. On the other hand, among countries where prices were under more or less strict control, the ratio of agricultural to industrial prices remained fairly stable, except in cases—like Norway, Czechoslovakia and the United Kingdom—where farm prices were raised as part of a deliberate policy to encourage agricultural production. The only example of agricultural prices remaining considerably below industrial prices was provided by Germany

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[1] The effects of these price changes on prices charged in foreign trade are discussed in Chapter 5 below.

[2] Since, in a number of countries, the wholesale price index for agricultural products is influenced by subsidies or is largely a reflection of the prices of imported commodities, an index of the prices received by farmers has been substituted for the wholesale price index of agricultural products in a number of cases. In a similar table presented in last year's SURVEY (page 82) such adjustments were not made. For certain countries, therefore, the figures for agricultural prices shown were too low and the comments made were somewhat misleading.

Table 24

THE LEVEL OF WHOLESALE PRICES FOR AGRICULTURAL AND INDUSTRIAL PRODUCTS

Index numbers — 1938 = 100

Country	Agricultural Products			Industrial Products			Ratio of Agricultural to Industrial Products		
	October			October			October		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Belgium [a]	..	477	441	..	361	369	..	132	120
Finland	567	839	1,126	548	619	865	103	136	130
France	915	1,392	1,883	723	864	1,855	127	161	102
Hungary [b]	..	852	763	..	540	597	..	158	128
Italy [c]	4,000–4,100	6,000	..	3,463	5,960	..	117	101	..
Spain [d]	475	480	501	353	441	463	135	109	108
Czechoslovakia	..	379 [e]	..	311	314 [e]	348	..	121 [e]	..
Norway [f]	196	224	241	186	159	161	105	141	150
United Kingdom	212	244	250	160	174	190	133	140	132
Austria	..	..	368	..	..	329	..	..	112
Bulgaria [g]	675	748	..	642	684	..	105	109	..
Denmark [h]	183	200	240	193	196	212	95	102	113
Ireland [i]	199	240	259 [j]	218	229	..	91	105	..
Netherlands [k]	276	283	284	269	277	288	103	102	99
Sweden	172	188	195	167	181	197	103	104	99
Switzerland [b]	196	210	213	202	214	214	97	98	100
Germany : U.K./U.S. Zone	..	..	149	..	..	188	..	..	79

Sources : The figures have been taken from official and semi-official publications. For details, see Appendix B.

[a] Base of the index numbers : 1936-1938.

[b] Base of the index numbers : August 1939.

[c] Average of the period July-December.

[d] Base of the index numbers : July 1936.

[e] April.

[f] Average of the years April-March 1945/46, 1946/47 and 1947/48. Base of the index numbers : April-March 1938/39.

[g] Base of the index numbers : 1939.

[h] Average of the years July-June 1945/46, 1946/47 and 1947/48. Base of the index numbers : July-June 1938/39.

[i] Base of the index numbers : October 1938.

[j] July.

[k] Base of the index numbers : July 1938-June 1939.

(and, until recently, Austria). It is, however, well known that the official prices at which farmers had to deliver their produce were to a very large extent evaded in Germany and that the problem of securing sufficient deliveries from the farmers has not been adequately solved, even after the recent monetary reform.

In agriculture, there was also a substantial difference in the movement of the prices of vegetable and animal products. As is shown in Table 25, a relative increase in the price of animal products occurred in all countries where prices, in general, were not subject to control, and was greatest in those countries where considerable price inflation had taken place. In the countries of suppressed inflation, on the other hand, there is little or no difference in the movement of the two price series.[1] Though the figures in Table 25 do not provide a uniform picture, the tendency since 1946 seems to have been towards a relative decline in the price of animal products. This appears

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[1] The relative increase in the price of animal products in the countries of open inflation was also due to the fact that, even in countries where prices had an open sway, the prices of bread grain or other important vegetable products were generally kept under control. Finland provides a clear example of this. Until 1947, Finland showed all the characteristics of a suppressed inflation and the prices of all important agricultural products were subject to control. Since 1947, with the passing of this country from a (unsuccessfully) suppressed inflation to open inflation, price controls for animal products were generally abolished, while the controls on the main vegetable products were retained—with the result that animal products more than doubled in price while the price of vegetable products increased only slightly.

Table 25

THE LEVEL OF WHOLESALE PRICES FOR ANIMAL AND VEGETABLE PRODUCTS

Index numbers — 1938 = 100

Country	Animal Products			Vegetable Products			Ratio of Animal to Vegetable Prices		
	October			October			October		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Austria	..	..	375	..	..	169	..	..	222
Poland	19,200	..	..	8,720	..	..	220	..	..
Finland	576	1,006	1,446	703	707	768	82	142	188
France	1,362	1,763	2,282	564	995	1,280	241	177	178
Switzerland [a]	223	231	235	141	159	145	158	145	162
Bulgaria [b]	782	873	..	519	553	..	151	158	..
Italy	5,561	9,433	7,674	2,564	4,939	5,220	217	191	147
Belgium [c]	..	540	505	..	411	379	..	131	133
Greece	..	22,350	31,650	..	18,480	24,290	..	121	130
Spain [d]	486	499	536	461	457	488	105	109	110
Netherlands [e]	273	281	287	279	279	273	98	101	105
United Kingdom	222	256	254	191	224	244	116	114	104
Norway [f]	197	227	242	195	215	240	101	106	101
Sweden	172	190	194	173	187	196	99	102	99
Denmark [g]	176	192	236	254	272	263	69	71	90

Sources. — The figures have been taken from official and semi-official publications. For details, see Appendix B.

[a] Base of the index numbers : August 1939.

[b] Base of the index numbers : 1939.

[c] Base of the index numbers : 1936-1938.

[d] Base of the index numbers : July 1936.

[e] Base of the index numbers : July 1938-June 1939.

[f] The figures refer to the average of the years April-March 1945/46, 1946/47 and 1947/48. Base of the index numbers : April-March 1938/39.

[g] The figures refer to the average of the years July-June 1945/46, 1946/47 and 1947/48. Base of the index numbers : July-June 1938/39.

to have been particularly marked in those countries, like France and Italy, which also showed a definite return towards the pre-war norm in the relation between industrial prices and agricultural prices as a whole. In some European countries, the relative rise in meat prices in the early post-war years had serious distorting effects on production, since it led to the use of grains for feeding to animals rather than for direct human consumption, and also stimulated the production of meat at the expense of milk. With the increase in the supply of bread grains in the past year (which led to the abolition of bread rationing in most countries) it seems that this is no longer a serious problem.

Simultaneously with the change in the price structure, there was a considerable and fairly general change in the wage structure, in favour of " heavy " workers (in such industries as agriculture, forestry, and mining) as against industrial workers. Table 26 shows the relative increase in wages in agriculture, forestry and mining in various countries in relation to industrial wages. This adjustment of the wage pattern towards relations more in accord with the relative attractiveness of different occupations was largely the result of the prevalence of full employment conditions and the resulting acute scarcity of labour in industries where wages were relatively low. As a result of this movement, the relative cost of foodstuffs, as well as of coal and of timber products, is likely to remain, for a long time, appreciably higher in relation to other costs than they were before the war —a development which may create difficulties for countries which export such staple products in competition with overseas suppliers.

Table 27 compares the development of prices of industrial raw materials and manufactures

Table 26

THE RELATION OF WAGES IN AGRICULTURE, FORESTRY AND MINING TO INDUSTRIAL WAGES

Index numbers — 1938 = 100

Country	1946	1947	1948	Country	1946	1947	1948
I. *Ratio of wage index for agriculture to wage index for industry :*				II. *Ratio of wage index for forestry to wage index for industry :*			
Denmark	198	220	195	Norway	..	166	172
Finland [a]	125	117	111	Sweden	..	130	122
France	121	106	..	III. *Ratio of wage index for coal mining to wage index for manufacturing industry :*			
Hungary	..	130	139				
Ireland	117 [b]	..	..				
Italy	..	..	116				
Netherlands [c]	147	144	148	Belgium	114	118	..
Norway	204	217	..	France	..	131	..
Spain [d]	137	145	..	United Kingdom	119	128	133
Sweden	130	123	..				
Switzerland [a]	104	..	..				
United Kingdom [e]	138	150	156				

Sources. — See Appendix B.

Notes. — The figures indicate the ratio between the indices of average hourly earnings in industry, including mining (*cf.* Table 20) and indices of (I) money wages in agriculture (which, in most instances, are based on summer wages of male workers), (II) winter earnings in forestry (hewers) and (III) earnings per shift in coal-mining. These last indices have been compared with the wage indices for manufacturing industry. For details, see Appendix B.

[a] Base of the index numbers : 1939.

[b] 1945.

[c] Base of the index numbers : 1938-1939.

[d] Base of the index numbers : 1936.

[e] Indices of weekly wage rates were applied for both agriculture and industry.

Table 27

THE LEVEL OF WHOLESALE PRICES FOR INDUSTRIAL RAW MATERIALS AND MANUFACTURED GOODS

Index numbers — 1938 = 100

Country	Industrial Raw Materials			Manufactured Goods			Ratio of Industrial Raw Materials to Manufactured Goods		
	October			October			October		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Belgium [a]	..	381	409	..	361	369	..	106	111
Finland	570	725	906	548	619	865	104	117	105
France	725	869	1,928	723	864	1,855	100	101	104
Hungary [b]	496	578	604	509	540	597	97	107	101
Denmark	218	244	269	193	206	219	113	118	123
Ireland [c]	245	294	..	218	229	..	112	128	..
Netherlands [d]	298	339	343	269	277	288	111	122	119
Norway	207	222	238	159	160	161	130	139	148
Sweden	171	194	206	167	181	197	102	107	105
United Kingdom	211	265	322	160	174	190	132	152	169

Sources. — The figures have been taken from national statistics. For details, see Appendix B.

[a] Base of the index numbers : 1936-1938.

[b] Base of the index numbers : August 1939.

[c] Base of the index numbers : October 1938.

[d] Base of the index numbers : July 1938-June 1939.

for a number of European countries. The exact scope of the sectional price indices varies in the different countries and the figures should, therefore, be interpreted with caution. In some countries (like the United Kingdom), part of the difference between the two price levels is due to the fact that the raw materials index includes timber and other building materials, whose prices have risen relatively to other materials and which are not used in the production of manufactured goods. Nevertheless, the figures seem to warrant the conclusion that the phenomenon of prices of finished goods lagging behind prices of raw materials is confined mainly to countries with extensive price controls. Moreover, the figures do not indicate that there has been any narrowing of price differentials as was the case with agricultural products.

4. Public Finance

The changes that have taken place in the field of public finance are shown in Tables 28 to 30. A general statement of government expenditure and revenue is given in Table 28 while Tables 29 and 30 show expenditure and revenue by major categories. The estimates in each case refer to the receipts and expenditure of the central government and of social security funds. They do not include local government expenditure and revenue, except in so far as grants to local authorities are included in the expenditure of central governments. To make the figures comparable, they have all been expressed as percentages of net national income, at current prices.[1] Since the range of public investment expenditure in the various countries shows wide variations — public investments extending into a far wider field in some countries than in others — " current expenditure " was taken exclusive of investments, and public investments are indicated separately. [2]

For the fourteen countries shown in Table 28, the balance of current receipts (from taxes, social security contributions, and property income) and current expenditure (exclusive of investment expenditure and capital transfers) shows a steady improvement during the post-war years. Whereas in 1946 the large majority of the countries were running deficits of considerable magnitude, only three countries showed a deficit in 1948 ; the majority of the others showing a sizeable surplus of revenue over current expenditure. Even when investment expenditure is taken into account, there was still a surplus of revenue over expenditure in the case of four countries ; and in the case of the others, the deficits shown are, on the whole, smaller than they were in the last pre-war years.

At the same time, the levels of expenditure —both current and investment expenditure— are considerably higher, as percentages of the national income, than before the war. Only three countries—Austria, Ireland and Italy—show lower levels of expenditure in relation to the national income in 1948 than in 1938. In the case of six countries—Belgium, Hungary, the Netherlands, Norway, Sweden and the United Kingdom—expenditure was more than 50 per cent above the 1938 level. The analysis of the figures shows, however, that most countries are moving towards their pre-war levels of expenditure in relation to the national income: the level of expenditure shows a falling trend in the case of countries where it was appreciably above pre-war, and a rising trend in the case of countries where it was lower than pre-war.

The major changes in the field of government expenditure shown by the figures are the reduction, in comparison with pre-war, of the interest paid on national debts and in defence expenditure, and the increase in expenditure

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[1] It must be borne in mind, however, that since government expenditure includes " transfer expenditures ", which are excluded from the concept of the net national income, the percentages tend to overstate the magnitude of government expenditure in relation to the national income.

[2] I. e., the difference between the figures under the last two headings in Table 28.

Table

THE LEVEL OF GOVERNMENT

In percentages of the

Country	Pre-war year	CURRENT EXPENDITURE					CURRENT REVENUE				
		Pre-war	Financial year beginning :				Pre-war	Financial year beginning :			
			1946	1947	1948	1949		1946	1947	1948	1949
Austria	1937	25.1	..	20.0	*17.4*	*18.0*	25.5	..	23.0	*17.4*	*18.0*
Belgium	1938	19.7	35.6	29.5	29.1	*27.4*	17.4	28.6	26.2	30.2	*30.9*
Czechoslovakia . . .	1937	28.9	..	*34.2*	*27.0*	..	25.0	..	*30.9*	*30.6*	..
Denmark	1937/38	12.6	19.0	17.2	*16.8*	..	13.2	20.9	20.3	*19.7*	..
Finland	1938	11.8	..	24.1	*15.8*	..	15.1	..	31.0	*19.8*	..
France	1938	24.6	24.7	27.8	27.8	..	18.9	21.8	26.5	29.2	..
Hungary	1937/38	12.6	23.2	24.2	..	..	13.8	23.2	28.4	..	..
Ireland	1937/38	21.3	..	16.6	*18.7*	..	21.8	..	17.0	*17.0*	..
Italy	1937/38	32.4	15.3	20.9	*20.9*	..	25.1	12.1	17.8	*18.8*	..
Netherlands	1938	22.8	..	42.6	*37.1*	*36.0*	20.2	..	31.5	*31.9*	*37.0*
Norway	1937/38	13.7	29.3	*28.4*	*25.7*	*26.1*	16.4	30.4	*26.1*	*26.7*	*29.0*
Poland	1937/38	10.9	5.0	9.3	*11.3*	..	11.8	5.6	11.4	*13.3*	..
Sweden	1937/38	11.2	17.2	19.5	*20.5*	*20.7*	12.8	19.8	22.3	*24.1*	*24.5*
United Kingdom . .	1938	23.6	50.9	42.4	*34.1*	..	21.3	42.9	40.7	*40.8*	..

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

NOTES. — Figures in ordinary type refer to provisional or to closed accounts ; figures in italics refer to budget estimates.

The data refer to central government finance and social security funds and include central government grants to local authorities. Local government finance is excluded.

on social security and on price subsidies. Since price subsidies and social security payments are in the nature of a " transfer " burden, rather than a " real " burden—they do not involve the direct use of resources for communal purposes, but merely a redistribution of resources between the different sectors of the community—the genuine increase in the burden of government expenditure was considerably less than the figures suggest.[1]

The reduction in most countries of the burden of national debt as a percentage of national income may, at first sight, appear surprising. The reduction was greatest, of course, in the case of countries like Italy and France, which went through a major price inflation. But even in countries with a moderate increase in the price level, such as Denmark or Ireland, there was a substantial reduction in the proportionate burden of the debt as the joint effect of the increase in prices and the fall in interest rates. In the case of the United Kingdom, where the size of the national debt has more than trebled as a result of the war, the service of the debt is only slightly larger as a proportion of the national income than before the war.

Since 1947, the importance of defence expenditure has also fallen considerably in most countries in comparison with 1938, which was, however, a year of comparatively heavy expenditure on armaments. The most striking reductions have, of course, taken place among the countries in which peace treaties or military occupation imposed limitations on military expenditure. The fourteen countries shown in Table 29 spent on the average [2] 7 per cent of their national income on defence in 1938 and 1947, but only 5 per cent in 1948. The budgets relating to the latest financial year (beginning in 1949) show, however, an increase in the defence expenditure of most countries compared with 1948.

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[1] The increase in the real burden of government expenditure is more accurately represented by estimates of government expenditure on goods and services as percentages of the national income. These are shown for ten European countries in Table 32 below. The figures in Table 32 are derived from national income statistics and include both central and local government expenditure on a consolidated basis.

[2] Weighted according to the size of the national incomes in terms of dollars.

EXPENDITURE AND REVENUE

net national income

Current Surplus					Total Surplus					Pre-war year	Country
Pre-war	Financial year beginning :				Pre-war	Financial year beginning :					
	1946	1947	1948	1949		1946	1947	1948	1949		
0.4	..	3.0	—	—	0.05	..	— 0.4	*—2.4*	*—4.9*	1937	Austria
—2.3	—7.0	— 3.3	1.1	*3.5*	—3.6	—11.3	— 6.8	—3.9	*—1.5*	1938	Belgium
—3.9	..	*— 3.3*	*3.6*	..	—8.1	..	*—12.6*	*—5.0*	..	1937	Czechoslovakia
0.6	1.9	3.1	*2.9*	..	0.2	1.4	2.5	*2.3*	..	1937/38	Denmark
3.3	..	6.9	*4.0*	..	1.0	..	4.7	*1.0*	..	1938	Finland
—5.7	—2.9	— 1.3	1.4	..	—6.8	— 8.1	— 6.3	—2.5	..	1938	France
1.2	—	4.2	..	..	0.1	— 2.1	0.9	..	..	1937/38	Hungary
0.5	..	0.4	*—1.7*	..	..	..	..	..	..	1937/38	Ireland
—7.3	—3.2	— 3.1	*—2.1*	..	—8.9	— 7.4	— 7.7	*—7.9*	..	1937/38	Italy
—2.6	..	—11.1	*—5.2*	*1.0*	..	..	—11.4	*—5.3*	*0.6*	1938	Netherlands
2.7	1.1	*— 2.3*	*1.0*	*2.9*	1.1	— 1.7	*— 4.7*	*—1.0*	*0.9*	1937/38	Norway
0.9	0.6	2.1	*2.0*	..	..	— 4.4	— 2.4	*—4.0*	..	1937/38	Poland
1.6	2.6	2.8	*3.5*	*3.8*	0.6	1.4	1.2	*2.4*	*2.8*	1937/38	Sweden
—2.3	—8.0	— 1.7	*6.7*	..	—2.8	— 9.4	— 3.6	*6.2*	..	1938	United Kingdom

" Current surplus " is the difference between current receipts (taxes, social security contributions and income from property) and current expenditure (all current expenditure on goods and services as well as transfer payments to current accounts).

" Total surplus " is current surplus less expenditure on investments.

Expenditure on social security, on the other hand, has risen in all but a very few European countries. In many countries it now amounts to 6 to 8 per cent of national income and is, in a number of countries, twice as much as before the war, or even more. This was the result of considerable expansions in the scope of compulsory insurance and the widespread adoption of family allowances in post-war years, which were only partially offset by the reduction in unemployment and the reduction in the real level of social security benefits in countries with considerable price inflation.

The most important change in the structure of post-war budgets is, however, the expenditure on price subsidies, which were practically non-existent before the war. In a number of countries (such as Belgium, France, Ireland, the Netherlands, Norway, Poland and the United Kingdom) they have reached a high level and, both absolutely and as a percentage of the national income, tended to rise in the last two years. In 1948, subsidies equalled about 25 per cent of total consumers' expenditure on food in the case of Norway, and 20 per cent in the case of the United Kingdom. The device of food subsidies was started during the war as a means of securing stability of the cost-of-living index, and thereby of prices and wages. In fact, it brought about an important change in the distribution of income in favour of the lower income groups and particularly of workers with large families. The cost-of-living index, in most cases, is based on the budgets of working-class families with two children, in which essential foodstuffs weigh far more heavily than in the budgets of unmarried workers or married workers without children. The cost of the subsidies, on the other hand, where it is covered by means of higher income taxes or higher taxes on alcohol and tobacco, falls more heavily on the higher income groups or on unmarried persons. Although, in this way, the cost-of-living index became increasingly unreliable as an indicator of the movement of prices which is relevant for the majority of workers, the stability of the wage level remained dependent in most cases—by tacit or explicit agreement—on the cost-of-living indices. In a number of countries—for example

Table 29

THE LEVEL OF GOVERNMENT EXPENDITURE

In percentages of the net national income

Country	Financial year	National Debt Interest	Defence	Price Subsidies	Social Security	Other Current Civil Expenditure	Investments	Total Expenditure
Austria	1937	2.0	3.7	—	5.4	14.0	0.3	25.4
	1947	—	—	1.4	3.7	14.9	3.4	23.4
	1948	*0.5*	—	*0.2*	*4.2*	*12.5*	*2.4*	*19.8*
	1949	*0.3*	—	*0.3*	*4.6*	*12.8*	*4.9*	*22.9*
Belgium	1938	1.9	2.6	—	4.9	10.3	1.3	21.0
	1947	2.9	2.3	5.2	7.9	11.2	3.5	33.0
	1948	2.9	1.9	4.6	8.0	11.7	5.0	34.0
	1949	*3.0*	*2.2*	*3.0*	*8.2*	*11.0*	*5.0*	*32.4*
Czechoslovakia	1937	2.0	7.8	—	4.9	14.2	4.2	33.1
	1947	*1.4*	*4.9*	*0.3*	*9.1*	*18.5*	*9.3*	*43.5*
	1948	*1.1*	*3.0*	*1.5*	*7.9*	*13.5*	*8.6*	*35.6*
Denmark	1937/38	1.2	0.9	0.3	4.8	5.4	0.4	13.0
	1947	0.7	1.9	1.7	4.8	8.1	0.6	17.8
	1948	*0.7*	*1.9*	*1.9*	*4.6*	*7.7*	*0.6*	*17.4*
Finland	1938	1.0	3.7	—	0.5	6.5	2.3	14.1
	1947	2.8	1.2	3.2	1.2	15.7	2.2	26.3
	1948	*1.9*	*0.9*	*1.0*	*1.3*	*10.7*	*3.0*	*18.8*
France	1938	4.2	8.5	3.7	4.0	4.2	1.1	25.7
	1947	1.4	7.9	2.7	8.6	7.2	5.0	32.8
	1948	*1.2*	*6.7*	*3.5*	*9.4*	*7.0*	*3.9*	*31.7*
Hungary	1937/38	0.4	1.9	—	1.5	8.8	1.1	13.7
	1947/48	*0.2*	*0.6*	..	*3.1*	*13.2*	*3.1*	*20.2*
Ireland	1937/38	0.9	1.3	—	3.7	15.4	..	..
	1947/48	0.6	1.1	2.6	2.8	9.4	..	..
	1948/49	*0.6*	*1.3*	*3.3*	*2.7*	*10.8*	..	..
Italy	1937/38	5.2	13.9	—	2.9	10.4	1.6	34.0
	1947/48	0.9	4.7	1.9	6.1	7.3	4.6	25.5
	1948/49	*1.5*	*4.5*	*0.8*	*6.9*	*7.2*	*5.8*	*26.7*
Netherlands	1938	2.3	2.9	3.9	2.6	11.1	..	..
	1947	4.7	8.4	7.3	7.3	14.9	0.3	42.9
	1948	*4.7*	*5.9*	*7.4*	*6.5*	*12.6*	*0.1*	*37.2*
	1949	*4.9*	*5.8*	*4.4*	*7.7*	*13.2*	*0.4*	*36.4*
Norway	1937/38	1.8	1.2	—	3.8	6.9	1.6	15.3
	1947/48	*2.1*	*3.4*	*8.4*	*5.4*	*9.1*	*2.4*	*30.8*
	1948/49	*1.7*	*2.4*	*6.7*	*5.3*	*9.5*	*2.0*	*27.7*
	1949/50	*1.8*	*2.8*	*6.8*	*5.3*	*9.4*	*2.0*	*28.1*
Poland	1937/38	0.8	3.3	—	1.3	5.5	..	..
	1947	—	1.0	2.1	1.1	5.1	4.5	13.8
	1948	—	*1.3*	*3.3*	*1.4*	*5.3*	*6.0*	*17.3*
Sweden	1937/38	0.9	1.7	0.4	2.1	6.1	1.0	12.2
	1947/48	1.5	3.9	1.7	5.0	7.4	1.6	21.1
	1948/49	*1.4*	*3.7*	*1.4*	*6.6*	*7.4*	*1.1*	*21.6*
	1949/50	*1.5*	*3.8*	*1.0*	*6.8*	*7.6*	*1.0*	*21.7*
United Kingdom	1938	4.7	7.5	0.3	5.4	5.7	0.5	24.1
	1947	6.5	11.3	5.0	6.2	13.4	1.9	44.3
	1948/49	*5.5*	*6.6*	*4.4*	*6.1*	*11.5*	*0.5*	*34.6*

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

NOTES. — Figures in ordinary type refer to provisional or to closed accounts; figures in italics refer to budget estimates.

The data refer to central government finance and social security funds. "Defence" includes military investments; "price subsidies" include payments to offset the current deficits of public enterprises. "Social security" includes expenditure by central governments as well as payments from national insurance funds on a consolidated basis and includes both transfer payments (including war pensions) and current expenditure on goods and services. Central government grants to local authorities are included in "other current civil expenditure".

As far as possible, investments are taken as net real investments in public properties, including public enterprises. Consequently, transfers to capital accounts (amortization of loans, etc.) are excluded. As government accounts seldom make full provision for depreciation and for maintenance costs, the figures, in some cases, show gross investments.

Table 30

THE LEVEL OF GOVERNMENT REVENUE

In percentages of the net national income

Country	Financial year	DIRECT TAXES	INDIRECT TAXES			SOCIAL SECURITY CONTRIBUTIONS	OTHER CURRENT REVENUE	TOTAL REVENUE
			Turnover taxes	Others	Total			
Austria	1937	5.3	4.6	8.3	12.9	3.0	4.3	25.5
	1947	9.4	2.6	7.7	10.3	1.6	1.7	23.0
	1948	*5.6*	*2.9*	*6.6*	*9.5*	*1.6*	*0.7*	*17.4*
	1949	*6.1*	*3.4*	*6.8*	*10.2*	*0.7*	*1.0*	*18.0*
Belgium	1938	5.3	4.0	5.6	9.6	—	2.5	17.4
	1947	6.2	7.7	5.1	12.8	5.4	1.8	26.2
	1948	9.5	7.4	5.9	13.3	5.2	2.2	30.2
	1949	*10.3*	*7.4*	*5.9*	*13.3*	*5.2*	*2.1*	*30.9*
Czechoslovakia	1937	3.4	4.7	8.6	13.3	4.7	3.6	25.0
	1947	*6.6*	*3.6*	*6.8*	*10.4*	*7.7*	*6.2*	*30.9*
	1948	*6.8*	*5.1*	*6.4*	*11.5*	*7.2*	*5.1*	*30.6*
Denmark	1937/38	4.1	..	..	6.0	1.8	1.3	13.2
	1947	8.6	..	..	8.9	1.4	1.4	20.3
	1948	*8.1*	..	..	*8.7*	*1.4*	*1.5*	*19.7*
Finland	1938	3.3	—	7.8	7.8	0.3	3.6	15.1
	1947	11.7	7.7	5.0	12.7	1.2	5.4	31.0
	1948	*6.7*	*3.8*	*4.8*	*8.6*	*1.1*	*3.4*	*19.8*
France	1938	6.5	2.8	6.2	9.0	2.0	1.4	18.9
	1947	7.8	6.9	3.7	10.6	6.3	1.8	26.5
	1948	*8.4*	*7.6*	*5.4*	*13.0*	*6.7*	*1.1*	*29.2*
Hungary	1937/38	3.4	2.0	5.8	7.8	1.5	1.1	13.8
	1947/48	6.6	7.1	7.8	14.9	3.2	3.7	28.4
Ireland	1937/38	4.9	..	..	11.5	1.5	3.8	21.8
	1947/48	5.1	..	..	9.2	0.6	2.1	17.0
	1948/49	*4.9*	..	..	*9.4*	*0.6*	*2.1*	*17.0*
Italy	1937/38	6.3	1.8	10.8	12.6	2.2	4.0	25.1
	1947/48	2.7	3.3	6.0	9.3	4.1	1.7	17.8
	1948/49	*3.0*	*3.5*	*5.2*	*8.7*	*5.1*	*2.0*	*18.8*
Netherlands	1938	5.9	1.6	10.1	11.7	1.0	1.6	20.2
	1947	12.3	3.3	7.9	11.2	4.1	3.9	31.5
	1948	*11.7*	*4.3*	*9.3*	*13.6*	*4.3*	*2.3*	*31.9*
	1949	*13.4*	*6.2*	*9.6*	*15.8*	*5.3*	*2.5*	*37.0*
Norway	1937/38	3.1	0.9	7.8	8.7	2.7	1.9	16.4
	1947/48	*5.5*	*5.3*	*9.5*	*14.8*	*2.9*	*2.9*	*26.1*
	1948/49	*7.1*	*4.3*	*10.0*	*14.3*	*2.8*	*2.5*	*26.7*
	1949/50	*8.9*	*4.6*	*10.3*	*14.9*	*2.8*	*2.4*	*29.0*
Poland	1937/38	3.8	..	..	4.6	1.7	1.7	11.8
	1947	4.1	..	..	3.0	1.3	3.0	11.4
	1948	*5.1*	..	..	*2.9*	*1.7*	*3.6*	*13.3*
Sweden	1937/38	3.0	—	6.4	6.4	0.8	2.6	12.8
	1947/48	9.8	0.8	8.5	9.3	1.0	2.2	22.3
	1948/49	*10.4*	*0.7*	*9.4*	*10.1*	*1.1*	*2.5*	*24.1*
	1949/50	*10.8*	*0.7*	*9.3*	*10.0*	*1.3*	*2.4*	*24.5*
United Kingdom	1938	9.7	—	8.2	8.2	2.3	1.1	21.3
	1947	19.8	2.6	14.5	17.1	2.8	0.9	40.7
	1948/49	*19.1*	*2.9*	*14.0*	*16.9*	*3.5*	*1.3*	*40.8*

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

NOTES. — Figures in ordinary type refer to provisional or to closed accounts; figures in italics refer to budget estimates.

The data refer to central government finance and social security funds. "Direct taxes" include death duties and extraordinary taxes on capital and profits (capital levies, excess profits taxes, etc.). Capital levies have not been included in instances where they were linked to loan schemes and were paid largely in the form of loans. Turnover taxes include general purchase taxes, sales taxes, etc. Employers' as well as employees' contributions are included in social security contributions.

Austria, Belgium, the Netherlands and Finland —food subsidies were recently substantially reduced. In most of these cases, however, there was a simultaneous increase in wage levels and family allowances were introduced or existing allowances increased in order to preserve the existing distribution of real income between large and small families, which had hitherto been secured by means of food subsidies.

The most important changes in the structure of taxation, which are shown in Table 30, are the increased relative importance of direct taxation in total revenue, and the increasingly important rôle of turnover taxes in relation to other types of indirect taxes, such as customs and excise duties. Only a few countries which experienced major inflations accompanied in some cases by the disruption of fiscal machinery showed a decline in the relative importance of direct taxation. Turnover taxes, which were comparatively rare before the war, are now an important instrument of economic policy in many countries. They now account for one-quarter of the total tax revenue in Belgium, Finland, France and Hungary ; one-fifth in Italy and one-sixth in Austria, Czechoslovakia, the Netherlands and Norway. As turnover taxes tend to be more progressive—or at any rate less regressive—than excise taxes, both these changes tend, on the whole, to make the system of taxation somewhat more progressive. It must be remembered however, that the basis of income tax was broadened during the war so that the increase in the share of direct taxation does not entail a fully corresponding shift of the tax burden on to the more well-to-do groups of the populations.

At present, this qualification is losing weight as the income tax liabilities of relatively low income groups are being reduced again. This is a result of the increased attention paid in a number of countries to the effects of income

Table 31

STATE BUDGET OF THE UNION OF SOVIET SOCIALIST REPUBLICS

Item	1947		1948		1949	
	PRELIMINARY FULFILMENT FIGURES		PRELIMINARY FULFILMENT FIGURES		PLANNED FIGURES	
	1,000 millions of current roubles	*Per cent*	1,000 millions of current roubles	*Per cent*	1,000 millions of current roubles	*Per cent*
Expenditure :						
Financing of national economy	132.7	*36.7*	147.5	*40.0*	152.5	*36.7*
Social and cultural expenditure	106.5	*29.5*	105.6	*28.7*	119.2	*28.7*
Defence	66.4	*18.4*	66.3	*18.0*	79.1	*19.0*
Administration and justice	13.0	*3.6*	13.1	*3.5*	13.7	*3.3*
Loan service	6.5	*1.8*	36.3	*9.8*	50.9	*12.3*
Other expenditure	36.1	*10.0*				
TOTAL	361.2 [a]	*100.0*	368.8	*100.0*	415.4	*100.0*
Revenue :						
Turnover tax	239.9	*62.3*	273.9	*67.1*	247.7	*55.5*
Direct taxation	28.0	*7.3*	33.2	*8.1*	33.2	*7.5*
State loans	25.7	*6.6*	22.3	*5.5*	24.1	*5.4*
Other revenue [b]	91.6	*23.8*	79.0	*19.3*	141.0	*31.6*
TOTAL	385.2 [a]	*100.0*	408.4	*100.0*	446.0	*100.0*

Source. — Speeches by the Minister of Finance and Laws on the U.S.S.R. Budget.

[a] Final fulfilment figures give 361.5 thousand million roubles as total expenditure and 386.2 thousand million roubles as total receipts.

[b] Including transfer of part of the profits of government and co-operative enterprises.

taxes on incentives to work. At the same time, consideration of the effects of high income tax on risk-taking has brought about some relief of taxation on profits and income from capital, mainly through more liberal depreciation allowances.

Taking into account both the changes in tax systems and the changes in government expenditure—the increased outlays on food subsidies and social security payments and the relative fall in interest payments—there can be little doubt that, in most countries, the activities of ~~the government bring about~~ more fundamental and far-reaching changes in the distribution of real income between the different classes of the community than was the case before the war. The only exceptions to this are perhaps some of the countries suffering from major inflations, where taxation may have become more regressive, owing to the difficulty in times of inflation of collecting direct taxes on incomes other than wages and salaries, which has made it necessary to rely more on commodity taxes for the purposes of revenue. In these countries, the changes in the tax burden may thus have tended to aggravate the effects of the inflation on the distribution of incomes.

In the Union of Soviet Socialist Republics, the budgetary figures for 1949 show an estimated surplus of revenue (including loan proceeds) over expenditure amounting to 7 per cent of expenditure as against the 11 per cent surplus in 1948. The most important items in the Soviet State budget—which is a combination of All-Union, Republican and local budgets—are shown in Table 31. Expenditure is planned to be raised by 12 per cent, largely owing to a 40 per cent rise in " other expenditure ", a 13 per cent rise in social and cultural expenditure and a 20 per cent rise in defence expenditure. The dominant feature of the Soviet taxation system is the turnover tax which, in 1948, yielded two-thirds of the total revenue. However, for 1949, the share of turnover taxes in total revenue will be considerably lower owing to the large rise in " other revenue ", notably in the profits of State enterprises.

Chapter 3

THE RATE OF CAPITAL FORMATION

1. The Allocation of National Resources

With the end of the war, most countries of Europe made a vigorous attempt to raise the rate of capital formation. During the war, part of Europe's capital equipment was destroyed, the losses being especially heavy in shipping and other means of transport, and, in some countries, in buildings and in livestock. The lack of renewal of capital equipment during the war years, aggravated in some countries by the lack of replacement in the preceding years of economic depression, meant that, at the end of the war, a great deal of the existing productive capacity of Europe was obsolete. In addition, there was a strong demand in a number of countries to quicken the pace of industrialization in order to raise standards of living.

These efforts are reflected in the changes in the allocation of national expenditure which, for ten European countries, are shown in Table 32. The estimates are based on national income estimates expressed in national currencies at current prices and follow, as far as possible, the definition of national income recommended by the League of Nations.[1]

The percentages of national income devoted to gross investment are not comparable for the different countries, owing to the different ways in which the term " gross investment " is defined. Some countries include in gross investment all kinds of expenditure on repairs and maintenance, others only certain kinds of repairs, while yet others exclude both repairs and maintenance. There are, of course, corresponding differences in the definition of depreciation. For these reasons, the figures for net investment are more comparable, although they suffer from the drawback of being subject to a greater degree of error owing to the arbitrary element in the calculation of depreciation.[1]

As is shown in Table 32, the proportion of net investment to the net national income is, in most countries, considerably higher than before the war, although it must be borne in mind that, with the exception of Hungary and Poland, the available resources of the countries have been augmented, relatively to pre-war, through deficits in their balances of payments.[2] But even as a proportion of total available resources (that is, national income plus the balance of payments deficit), net capital formation at home is higher than before the war. Correspondingly, the proportion of available resources devoted to consumption, including both personal and government consumption, has fallen in most countries in spite of both the increase in government consumption, and the increase in private consumption demands resulting from the more equal distribution of incomes. It is evident from Table 32 that the percentage of

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[1] *Studies and Reports on Statistical Methods, No. 7 :* " Report of the Sub-Committee on National Income Statistics of the League of Nations Committee of Statistical Experts," 1947.

[1] The published depreciation allowances have been corrected, as far as possible, so as to give a uniform concept of net investment for the different countries. In particular, depreciation allowances have been adjusted so as to reflect current replacement cost of capital rather than original cost.

[2] In Table 32 reparation deliveries, like other unilateral transfers, are included in the balance of payments on current account.

Table 32

THE ALLOCATION OF NATIONAL INCOME: *In percentages of net national income at factor cost*

Item	**Czechoslovakia**				**Denmark**				**France**			
	1937	1946	1947	1948	1938	1946	1947	1948	1938	1946	1947	1948
Current expenditure:												
Personal consumption	80	85	81	97	80	83	81	76	84	80	80	80
Government consumption	14	27	22		10	14	13	12	13	14	15	12
Capital formation:												
Net capital formation at home	7	—10	—	3	9	10	9	14	3	11	9	14
Gross capital formation at home	*22*	*5*	*14*	*15*	*22*	*24*	*23*	*26*	*17*	*24*	*22*	*27*
Depreciation, etc.	*15*	*15*	*14*	*12*	*13*	*14*	*14*	*12*	*14*	*13*	*13*	*13*
Balance of payments on current account	—1	—2	—3	—½	1	—7	—3	—2	—	—5	—4	—6
Net national expenditure	100	100	100	100	100	100	100	100	100	100	100	100
Net national saving	6	—12	—3	2½	10	3	6	12	3	6	5	8
Private	*10*	*—5*	—	*—1*	*9*	*1*	*4*	*9*	*9*	*9*	*6*	*7½*
Government	*—4*	*—7*	*—3*	*3½*	*1*	*2*	*3*	*3*	*—6*	*—3*	*—1*	*½*

Item	**Hungary**			**Italy**			**Netherlands**			**Norway**			
	1938	1946/7	1947/8	1938	1947	1948	1938	1947	1948	1939	1946	1947	1948
Current expenditure:													
Personal consumption	90	93	87	66	86	80	76	77	74	74	72	75	73
Government consumption				24	12	14	12	20	18	11	22	17	16
Capital formation:													
Net capital formation at home	7	1	8	9	13	12	12	20	17	15	17	25	21
Gross capital formation at home	*13*	*8*	*13*	*19*	*23*	*22*	*22*	*35*	*31*	*46*	*42*	*48*	*44*
Depreciation, etc.	*6*	*7*	*5*	*10*	*10*	*10*	*10*	*15*	*14*	*31*	*25*	*23*	*23*
Balance of payments on current account	3	6	5	1	—11	—6	—	—17	—9	—	—11	—17	—10
Net national expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100
Net national saving	10	7	13	10	2	6	12	3	8	15	6	8	11
Private	*9*	*10*	*9*	*14*	*5*	*8*	*15*	*14*	*13*	*10*	*5*	*10*	*10*
Government	*1*	*—3*	*4*	*—4*	*—3*	*—2*	*—3*	*—11*	*—5*	*5*	*1*	*—2*	*1*

Item	**Poland**				**Sweden**				**United Kingdom**			
	1938	1946	1947	1948	1938/9	1946	1947	1948	1938	1946	1947	1948
Current expenditure:												
Personal consumption	96	95	97	94	77	74	76	75	78	72	73	69
Government consumption					12	15	15	15	16	31	24	20
Capital formation:												
Net capital formation at home	5	8	6	6	11	12	17	12	7	1	9	11½
Gross capital formation at home	*9*	*12*	*10*	*9*	*31*	*31*	*36*	*31*	*17*	*13*	*21*	*23*
Depreciation, etc.	*4*	*4*	*4*	*3*	*20*	*19*	*19*	*19*	*10*	*12*	*12*	*11½*
Balance of payments on current account	—1	—3	—3	—	—	—1	—8	—2	—1	—4	—6	—½
Net national expenditure	100	100	100	100	100	100	100	100	100	100	100	100
Net national saving	4	5	3	6	11	11	9	10	6	—3	3	11
Private	*3*	*4*	*1*	*4*	*10*	*8*	*6*	*6*	*8*	*5*	*3½*	*4½*
Government	*1*	*1*	*2*	*2*	*1*	*3*	*3*	*4*	*—2*	*—8*	*—½*	*6½*

Sources. — The figures have been derived from official and semi-official sources and have been adjusted to a common definition. The details of estimation are given in Appendix A.

NOTES. — "Capital formation" excludes expenditure on armaments and warlike stores. The figures for the balance of payments exclude receipts from private donations, personal remittances and official grants; whereas the commodities and services imported on account of such grants are included in expenditure. Likewise, the exports of commodities on account of war reparations enter into receipts without being offset by a corresponding entry in expenditure. Consequently, the figures for the balance of payments on current account do not indicate net lending or borrowing abroad but rather the net exports of goods and services plus net income from investment abroad.

net investment in the national income is highest in the case of those countries which have large adverse balances on foreign account. This is clearly shown if net investment and the balance of payments expressed as percentages of national income are set side by side :

Net Investment at Home and the Balance of Payments
(In percentages of national income)

	1947		1948	
	Net investment	Balance of payments	Net investment	Balance of payments
Norway	25	— 17	21	— 10
Netherlands. . .	20	— 17	17	— 9
Sweden.	17	— 8	12	— 2
Italy.	13	— 11	12	— 6
Denmark. . . .	10	— 3	14	— 2
United Kingdom	9	— 6	11½	— ½
France.	9	— 4	11	— 6
Poland.	6	— 3	6	—
Hungary [a] . . .	1	6	8	5
Czechoslovakia .	—	— 3	3	— ½

[a] Years ending 31 July.

The four countries, which in 1947 had the highest rates of net investment, also had the highest deficits in their foreign payments. Each of these four countries had a lower adverse balance of payments in 1948, and net investment as a percentage of national income was also reduced in each case, although in lesser proportion. Two countries, Denmark and the United Kingdom, managed to increase their rates of net investment while improving their balances of payments, the improvement being most marked in the case of the United Kingdom. In Hungary, there was a large increase in the rate of investment despite a considerable excess of exports (including reparation deliveries) over imports on current account.

National saving, as a percentage of national income, has also recovered substantially from the low levels of the immediate post-war years, but in a number of countries it is still considerably below pre-war. Moreover, private savings have diminished by comparison with pre-war in most countries and an increasing proportion of total investment was dependent on savings by public authorities in the form of budgetary surpluses on current account.

Changes in the proportions of the national income do not, however, give an accurate idea of the changes of the real volume of investment, partly because real national income has changed, but even more because the prices of investment goods in many countries moved differently from the prices of other goods. In Poland, for example, prices rose on the average 120 times between 1938 and 1947, while prices of investment goods only increased 58 times.

2. Investment in Real Terms

Investment in Fixed Capital

Estimates of gross investment in fixed capital in 1938 and in post-war years expressed in pre-war dollars are available for fourteen countries and are presented in Table 33. These estimates were arrived at, first, by calculating investment in each country in terms of constant prices, and then by converting the figures into dollars of 1938 purchasing power in terms of industrial goods.[1] The estimates show that a few countries had already regained the pre-war volume of investment by 1946. In half the countries, the pre-war level was exceeded by 1947, and with very few exceptions, there was a further substantial increase in 1948.

Estimates of net investment in fixed capital are also presented in Table 33. On the average, the volume of net investment in the countries shown was only 45 to 50 per cent of pre-war in 1946. By 1947, however, the volume of net investment in fixed capital exceeded that of 1938 by almost 15 per cent, and by 1948 by about 25 per cent. The largest increase in the amount of investment, in relation to pre-war, took place in France and the United

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[1] The methods adopted are described in more detail in Appendix B.

Table 33

INVESTMENT IN FIXED CAPITAL

Millions of dollars in 1938 prices

Country	Gross Investment in Fixed Capital [a]				Net Investment in Fixed Capital			
	1938 [b]	1946	1947	1948	1938 [b]	1946	1947	1948
Belgium	..	254	293	..	..	98	132	..
Bulgaria	35	..	33	37	5	..	— 3	1
Czechoslovakia	400	75	274	349	126	— 200	— 1	71
Denmark	255	281	308	321	101	101	126	136
France	1,658	1,869	2,105	2,160	228	479	660	670
Hungary	71	..	54	98	17	..	— 4	40
Italy	1,150	940	895	950	546	455	400	445
Netherlands	582	360	490	525	294	125	240	260
Norway	357	305	373	372	111	120	183	177
Poland	354	262	291	352	209	97	124	181
Rumania	..	..	40	64	..	..	— 20	4
Sweden	636	745	830	777	200	276	351	293
United Kingdom	3,450	2,000	3,660	3,850	1,500	50	1,660	1,800
Yugoslavia	107	72	188	204	52	22	132	144

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] " Gross investment " includes all maintenance and repairs in Denmark, France, Norway and Sweden ; in Czechoslovakia, Italy and the United Kingdom, only a part of maintenance and repairs ; in all other countries it includes only new investment in fixed capital.

[b] For Czechoslovakia, 1937 ; for Sweden, 1938-1939 ; for Bulgaria, Norway and Yugoslavia, 1939.

Kingdom ; the greatest percentage increases occurred in Yugoslavia, Hungary, Norway and Sweden. In relation to national income, the rate of net investment in fixed capital rose, on the average, from some 7 per cent in 1938 to approximately 8 per cent of national income in 1948.

For the same group of thirteen countries, the value of net investment in fixed capital amounted in total to 4,200 million pre-war dollars in 1948. It can be estimated that net investment in fixed capital in Europe as a whole, excluding Germany, was about 5,000 million dollars. This is only about one-half the corresponding figure for the United States, which—also expressed in terms of 1938 dollars—can be estimated at about 10,000 million dollars.[1] Of total European net investment in fixed capital in 1948 (excluding Germany), about 36 per cent took place in the United Kingdom and 13 per cent in France. The United Kingdom and France thus accounted for half the capital formation in Europe excluding Germany in 1948.

In Table 34, the estimates of net investment in fixed capital shown in Table 33 are related to the estimates of the national income of individual countries in pre-war dollars which

Table 34

NET INVESTMENT IN FIXED CAPITAL AS PERCENTAGE OF NATIONAL INCOME

In terms of 1938 dollar prices

Country	1938	1947	1948
Norway	15	24	22
Yugoslavia	5	15	15
Denmark	8	11	11
Netherlands	10	12	11
Sweden	9	13	10
United Kingdom	8	9	9
Italy	10	9	9
France	2	8	7
Belgium	..	6	..
Poland	6	5	5
Hungary	2	— ½	4½
Czechoslovakia	5	—	3
Rumania	..	— 2	—
Bulgaria	1	— 1	—

Note. — The figures for each country are the ratio between net investment in 1938 dollar prices, given in Table 33, and the estimates of the national income in 1938 dollar prices shown in Table E, Appendix A.

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[1] This estimate includes private investment only.

are given in Appendix A. As Table 34 shows, there were wide variations in the percentage of the national income devoted to capital formation in different countries. It is evident that the countries with a low real income per head are less able to devote their resources to capital formation than the countries with a high income per head. Apart from Yugoslavia, which made an extraordinary effort to increase capital investment after the war, the highest percentages are found among the countries of North-western Europe, which have the highest national income per head. As is clear from Table 32, these were also the countries which had the largest opportunities to supplement their own resources through external economic aid. The countries which show the largest proportionate increases since the war are France and Yugoslavia (which trebled their rates of investment in relation to the national income) and Hungary, which more than doubled it. It should be borne in mind, however, that for the purpose of pre-war comparisons, the year 1938—or any other particular pre-war year—may be misleading since the rate of net investment showed wide fluctuations from year to year.

Table 35

NET INVESTMENT IN FIXED CAPITAL PER HEAD OF POPULATION

Dollars in 1938 prices

Country	1938	1946	1947	1948
Norway	38	40	59	55
Sweden	32	41	52	42
United Kingdom	31	1	33	36
Denmark	27	25	31	32
Netherlands	34	13	25	27
France	5	12	16	16
Belgium	..	12	16	..
Italy	12	10	9	10
Yugoslavia	3	1	8	9
Poland	6	4	5	7½
Czechoslovakia	8	−16	—	6
Hungary	2	..	−½	4
Rumania	..	..	−1	—
Bulgaria	1	..	−½	—

Note. — The figures are the ratios between net investment in 1938 dollar prices given in Table 33 and population shown in Table E, Appendix A.

The differences in the rate of capital formation per head of population, as shown in Table 35, are even more striking. They show that by far the most important factor in determining rates of investment is the amount of resources available per head of population; individual effort and sacrifice can only compensate to a limited degree for a lack of resources. However, even net investment expressed in percentages of national income does not truly indicate the relative progress of different countries. In less developed countries the ratio of capital to output is lower and, therefore, the same percentage of output invested would indicate a faster rate of expansion in capital equipment. Moreover, investment opportunities and hence the rate of return on a given amount of investment is higher in less developed countries, especially in industries like transport which influence the costs of other industries. Moreover, in some countries, and particularly in those which suffered heavy physical damage in the war, there were considerable opportunities for " easy investments ", which yield a disproportionately high return; for example in the case of damaged or neglected plants, the replacement of a few items of equipment can sometimes restore the productivity of the whole plant.

The level of investment which particular countries could achieve was limited, of course, by the supply of capital goods, apart from the willingness to save and the ability to incur an adverse balance of payments. In some countries the supply of investment goods was supplemented to a considerable extent by imports from abroad. In Norway, for example, 35 to 40 per cent of new investment in 1947 was covered by equipment goods imported from abroad. In other countries, the proportion was much less—about one-fifth in the case of Bulgaria and the Netherlands, and less than one-tenth in the case of Denmark. On the other hand, in some countries the capacity of the investment goods industries could only be partially utilized for the purpose of home investment, since part of the output of these industries had to be exported in order to pay for imports of other goods. The net export of capital goods was equal to about one-quarter of total new investment in the United Kingdom and about one-fifth in Czechoslovakia, while in Hungary, a considerable proportion of the output of the investment goods industries was exported in the form of reparations.

Investment in Stocks

The data in the tables relate to investment in fixed capital only, but, after the war, substantial net investment also took place in stocks of raw materials and finished goods, and in livestock. Such investments were particularly large in war-damaged countries like the Netherlands, Norway and Poland, where investment in stocks amounted to 4 to 6 per cent of the national income in 1947. In 1948, however, investment in stocks tended to be less, partly as stocks were replenished and partly as speculative hoarding diminished especially in France and Italy. In Norway and Sweden, about one per cent of the national income was devoted to the increase in stocks in 1948, which is consistent with the normal rate of growth of production. As stocks became more plentiful, greater effort could be put into investment in fixed capital and, generally, the financing of investment was made easier.

Investment by Economic Sectors

Estimates have also been made of the distribution of investment among different economic sectors and different industries. These estimates cannot be given for all the countries represented in the previous tables, and the more detailed analysis is limited to an even smaller number of countries.[1] The estimates, as before, are expressed in pre-war dollar prices. It was not possible, however, to estimate separately the prices applicable to investment in different economic sectors and in different industries. In order to convert the estimates expressed in current national prices into pre-war dollar prices, a uniform rate was therefore applied in the case of each country. To the extent that the prices applicable in certain sectors and industries have moved differently from others (for instance, in Norway, the cost of ships has risen considerably more in relation to pre-war than the cost of constructing dwellings) the estimates may thus exaggerate or understate real investments in different sectors or industries.

In Tables 36 and 37, the distributions of gross and net investment in fixed capital for a number of European countries in 1947 and 1948, are shown according to major economic sectors. The information on gross investment is more complete and more reliable than the estimates of net investment, but the figures for the different countries are not fully comparable owing to the differences in definition mentioned earlier.

The percentage distribution of gross investment among the various economic sectors shows a marked similarity of pattern in the different countries.[1] On the average, 6 per cent of investment in fixed capital in 1947 appears to have been devoted to agriculture, 30 per cent to mining and manufacturing industry, 23 per cent to transportation, 23 per cent to dwellings, and 16 per cent to other sectors. The nine countries for which data are available for both 1947 and 1948 show a very small increase over the two years in the share of investment devoted to agriculture and to industry, a small fall in the share of transport and dwellings, and an increase in other sectors.

The unusual feature of these figures is the relatively low investment in agriculture and the high level of investment in transport. In most countries the share of agriculture in total investment was not at all commensurate with the importance of agriculture in the

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[1] The definitions of investment in individual sectors or industries are not always identical in the different countries—*e.g.*, some countries include roads in transport, or workers' dwellings in the investment of particular industries. As far as possible, the definitions have been adjusted to make them comparable; investment in roads is included under " other sectors " and investment in workers' accommodation under " dwellings ".

[1] It should be remembered that the differences in the definition of gross investment may also affect the distribution of investment between various sectors because of the varying importance of repairs and maintenance in different sectors.

Table 36

GROSS INVESTMENT IN FIXED CAPITAL BY SECTORS OF THE ECONOMY[a]

Millions of dollars in 1938 prices

Sector	Belgium		Bulgaria				Czechoslovakia				Denmark			
	1947		1947		1948		1947		1948		1947		1948	
	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*
Agriculture and fishing	8	*3*	4	*12*	4	*11*	16	*6*	18	*5*	27	*9*	30	*9*
Industry	79	*27*	7	*21*	8	*22*	71	*26*	73	*21*	47	*15*	55	*17*
Transportation	85	*29*	8	*24*	8	*22*	66	*24*	82	*24*	147	*47*	142	*44*
Other sectors and government	55	*19*	6	*18*	7	*19*	41	*15*	63	*18*				
Dwellings	66	*22*	8	*25*	10	*26*	80	*29*	113	*32*	87	*29*	94	*30*
TOTAL	293	*100*	33	*100*	37	*100*	274	*100*	349	*100*	308	*100*	321	*100*

Sector	France[b]				Hungary				Italy		Norway			
	1947		1948		1947		1948		1947		1947		1948	
	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*
Agriculture and fishing	140	*10*	170	*11*	3	*5*	9	*9*	70	*8*	42[c]	*11*	57[c]	*16*
Industry	390	*27*	590	*39*	22	*41*	37	*38*	390	*43*	91	*25*	96	*26*
Transportation	450	*31*	360	*24*	10	*19*	20	*20*	270	*30*	153	*41*	150	*40*
Other sectors and government	70	*5*	60	*4*	15	*27*	24	*25*	105	*12*	34	*9*	20	*5*
Dwellings	400	*27*	340	*22*	4	*8*	8	*8*	65	*7*	53	*14*	49	*13*
TOTAL	1,450	*100*	1,520	*100*	54	*100*	98	*100*	900	*100*	373	*100*	372	*100*

Sector	Netherlands		Poland				Sweden				United Kingdom			
	1947		1947		1948		1947		1948		1947		1948	
	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*
Agriculture and fishing	40	*8*	20	*7*	36	*11*	59	*7*	63	*8*	150	*4*	170	*4*
Industry	140	*29*	93	*32*	122	*34*	307	*37*	294	*38*	1,080	*30*	1,150	*30*
Transportation	260	*53*	79	*27*	67	*19*	161	*19*	158	*20*	600	*16*	620	*16*
Other sectors and government			40	*14*	59	*17*	72	*9*	84	*11*	860[d]	*23*	970	*26*
Dwellings	50	*10*	59	*20*	68	*19*	231	*28*	178	*23*	970	*27*	940	*24*
TOTAL	490	*100*	291	*100*	352	*100*	830	*100*	777	*100*	3,660	*100*	3,850	*100*

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] The definition of gross investment varies from country to country. See text.

[b] Excluding maintenance.

[c] Of which fishing and whaling account for $21 million or 5.5 per cent of the total in 1947 and for $10 million or 4 per cent of the total in 1948.

[d] Including miscellaneous items which could not be allocated to other sectors.

Table 37

ESTIMATED NET INVESTMENT IN FIXED CAPITAL BY SECTORS OF THE ECONOMY

Millions of dollars in 1938 prices

Sector	Belgium	Bulgaria		Czechoslovakia		Denmark		France	Hungary	
	1947	1947	1948	1947	1948	1947	1948	1947	1947	1948
Agriculture and fishing	6	−13	−11	−21	−19	12	16	—	−11	−5
Industry	21	3	3	−85	−82	12	21	210 [a]	−4	10
Transportation	54	6	7	42	57	47	55	230	3	13
Other sectors and government	34	6	6	18	39			220 [b]	13	23
Dwellings	17	−5	−4	45	76	55	44		−5	−1
Total	132	−3	1	−1	71	126	136	660	−4	40

Sector	Italy	Netherlands	Norway		Poland		Sweden		United Kingdom	
	1947	1947	1947	1948	1947	1948	1947	1948	1947	1948
Agriculture and fishing	..	25	10 [c]	23 [c]	−5	11	..	..	1,120	1,320
Industry	140	85	49	51	14	41	128	103		
Transportation	..	110	86	73	77	64	..	..		
Other sectors and government	..		16	10	19	36	..	..		
Dwellings	55	20	22	20	19	29	..	..	540	480
Total	400	240	183	177	124	181	351	293	1,660	1,800

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] Plant and equipment only.

[b] Including industrial buildings.

[c] Of which fishing and whaling account for $8 million in 1947 and $5 million in 1948.

national economy. In a number of countries, as Table 37 shows, net investment of fixed capital in agriculture in both 1947 and 1948 appears to have been negative, although this may have been offset by the increase in livestock numbers, which, in most cases, are not included in the figures. The low priority accorded to agriculture was a common feature in the early post-war investment plans, and even now, only a few European countries (such as France and the United Kingdom) appear to show adequate appreciation in their plans of the importance of agricultural investment.

Gross investment in transport in 1947 and 1948 was, on the other hand, nearly as large as gross investment in manufacturing industry, and net investment in transport, in the countries for which data are available, was definitely larger than net investment in manufacturing industry. In normal circumstances, investment in transport is much smaller than in industry: in the United States, for example, expenditure on new plant and equipment for transport was, in 1947, equal to only one-sixth of investment in industry.[1] However, in Europe, the heavy destruction of railways and shipping during the war has made large-scale investment in transport essential to the restoration of the economic system.

The distribution of gross investment among the different branches of industry in 1947 in four Western European and three Eastern European countries is shown in Table 38. Here again, a remarkable similarity of pattern may be observed. The figures reflect the high priority given in all countries to the industries which mainly produce capital goods: about two-thirds of the total investment in manufacturing industry was devoted to the iron and steel, engineering, chemicals, building materials and timber industries, while the consumers' goods industries accounted for only one-third

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[1] *Survey of Current Business*, U.S. Department of Commerce, October 1948, page 10.

Table 38

GROSS INVESTMENT IN FIXED CAPITAL IN INDUSTRY IN 1947

Millions of dollars in 1938 prices and per cent of total investment in manufacturing

Sector	Belgium		Czechoslovakia		Denmark		Hungary [a]		Norway		Poland		Sweden	
	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*	Millions of dollars	*Per cent*
Food processing, etc.	. .	. .	7.1	*13*	7.2	*19*	1.8	*10*	8.1	*14*	4.4	*8*	13.5	*8*
Textiles and clothing	11.0	*20*	7.0	*13*	4.6	*12*	2.4	*13*	5.8	*10*	6.8	*13*	15.9	*9*
Leather and rubber	. .	. .	8.0	*15*	0.7	*2*	0.3	*2*	1.5	*3*	0.5	*1*	4.8	*3*
Paper and printing	. .	. .	0.7	*1*	. .	. .	0.2	*1*	10.1	*18*	1.6	*3*	17.5	*10*
Timber and timber products	. .	. .	1.0	*2*	1.5	*4*	0.2	*1*	3.0	*5*	0.7	*1*	12.9	*7*
Building materials, etc.	6.8	*12*	2.6	*5*	3.9	*10*	0.3	*1*	3.8	*7*	2.2	*4*	18.5	*11*
Metals and engineering	20.0	*36*	21.6	*40*	12.5	*32*	9.7	*53*	20.0	*35*	24.5	*46*	80.0	*45*
Chemicals	5.2	*9*	5.6	*11*	8.4 [a]	*21*	3.6	*19*	4.8	*8*	12.7	*24*	12.7	*7*
Total manufacturing	55.4	*100*	53.6	*100*	38.8	*100*	18.5	*100*	57.1	*100*	53.4	*100*	175.8	*100*
Electric power	13.2	*24*	10.7	*20*	7.7	*20*	5.5	*30*	20.8	*36*	8.7	*16*	31.6	*18*
Coal mining	10.4	*19*	4.7	*9*	—		3.3	*18*	—		27.5	*52*	—	
Mineral oil	—		—		—		1.5	*8*	—		3.4	*6*	—	
Other	—		2.0 [b]		—		0.2 [b]		13.2		—		100 [c]	
Total Industry	79		71		47		29		91		93		307	

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] Average of 1947-1948.

[b] Including paper and printing.

[c] Small firms and handicraft industries.

[d] Maintenance expenditure for industry as a whole.

Table 39

ESTIMATED NET INVESTMENT IN FIXED CAPITAL IN INDUSTRY IN 1947

Millions of dollars in 1938 prices and percentages of the value of capital

Sector	SWEDEN		DENMARK		HUNGARY [a]		POLAND	
	Net investment (millions of dollars)	*Rate of growth (per cent)*	Net investment (millions of dollars)	*Rate of growth (per cent)*	Net investment (millions of dollars)	*Rate of growth (per cent)*	Net investment (millions of dollars)	*Rate of growth (per cent)*
Food processing, etc.	7.6	3½	0.3	—	— 1.7	— 1½	— 1.4	— 1
Textiles and clothing	8.9	4	— 0.6	— ½	0.5	1	— 10.0	— 4
Leather and rubber	3.2	6½	0.1	1½	0.1	1	0.2	1½
Paper and printing	5.5	1½	..	..	— 0.4	— 3	— 0.5	— 1
Timber and timber products	9.7	10	0.7	3	— 0.1	— 2	0.2	1½
Building materials, etc.	15.2	15	2.5	5½	— 0.7	— 2	— 1.0	— 1
Metals and engineering	57.2	9	5.8	6½	5.3	5½	7.4	4½
Chemicals	9.3	10½	3.2 [b]	5	0.5	1	6.2	6½
Total manufacturing	116.6	7½	12.0	2	3.5	1	1.1	1
Electric power	11		..		2.2	3	— 3.5	— 1½
Coal mining	—		—		1.8	6	14.4	2
Mineral oil	—		—		0.5	11	2.0	3½

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] 1947/48.
[b] Including paper and printing.

of the total. The iron and steel and engineering industries alone took up about 40 per cent of the total (the proportion varying between 31 and 53 per cent) and, together with the chemical industries, they accounted for more than half the total gross investment. [1]

Data on investment in industry other than manufacturing are available for only a few countries. They show, however, that the rate of investment in the fuel and power industries, in particular in coal mining and electric power generating, was high in relation to investment in manufacturing. Thus, investment in electric power stations alone averaged some 22 per cent of investment in manufacturing industry.

The Rate of Growth of Capital

To appreciate the significance of these figures it is necessary to relate them to the total stock of capital so as to obtain an approximate measure of the rates of growth which they represent. Estimates of the stock of capital in the various branches of industry are available only for Denmark, Hungary, Poland and Sweden. The net investment in fixed capital in these countries in 1947, together with the rates of growth they represent, are shown in Table 39. These indicate that in all four countries the growth of capital was concentrated in the capital goods industries. Thus, the figures show high rates of growth for the chemical industry in Denmark, Poland and Sweden, for the building materials industry in Denmark and Sweden, and for the iron and steel and engineering industries in all four countries. In Hungary and Poland, net investment was negative in a number of industries, so that the overall rate of growth in manufacturing industry was small. In Denmark, too, net investment was negligible in the consumers' goods industries, Sweden showed a high rate of growth in most industries and in 1947 was among the countries with the highest rates of growth of capital in manufacturing industry in Europe.

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[1] The following figures for France and the United Kingdom—two countries for which only partial data are available—indicate that investment in the fuel and power and iron and steel industries was about the same in the two countries, although (as is indicated in Table 36 above) total industrial investment in the United Kingdom was about twice as large as in France:

Gross Investment in Fixed Capital in Selected Industries, 1948

(Millions of dollars in 1938 prices)

	France	United Kingdom
Coal mining	105	50
Electricity and gas	175	250
Petroleum refining	50	20
Iron and steel	45	75 [a]
TOTAL	375	395

Source. — Commissariat général du Plan. *Economic Survey for 1949* (Cmd. 7647).

[a] Including coke ovens.

Estimates of the rate of growth of capital in industry as a whole (mining, power production and manufacturing) have been made for a number of countries and are shown in the following figures :

The Rate of Growth of Capital in Industry [a]

(In percentages of estimated stock of capital)

	1947	1948
Denmark	2	3
Norway	7	8
Sweden	7½	6
Belgium	2	..
France	3½	..
Italy	3	..
Netherlands	5	..
Bulgaria	3	3
Czechoslovakia	— 2	— 2
Hungary	— 1	1
Poland	1	2

[a] Mining, power production, manufacturing and handicrafts.

The highest rates of growth, 5 to 8 per cent, are shown by the Netherlands, Norway and Sweden, while Belgium, Bulgaria, Denmark, France, Italy and (in 1948) Poland show moderate rates of growth of 2 to 4 per cent. In 1948, there was positive net investment in industry in Hungary, where it had previously been negative, but in Czechoslovakia net investment remained negative.

It must be borne in mind that the rate of growth of capital, calculated as the ratio of net investment to the value of capital stock, does not, in the short run, give a true indication of the rate of growth of productive capacity. The proportion of investment devoted to actual replacement may be considerably less than the true economic depreciation in cases where the greater part of the capital stock is comparatively new. In such cases, productive capacity would tend to increase faster than the net investment figures would indicate. On the other hand, actual replacement may exceed depreciation if, on account of the lack of replacement in the past, an abnormally high proportion of capital equipment needs to be replaced. Finally, in countries where a part of investment is devoted to repairing physical damage, the rise in productive capacity, as mentioned earlier, may be out of proportion to the cost of investment. This may still have been an important factor in 1947, whereas in most countries it was probably less important in 1948.

Changes in Physical Capacity

The estimates relating to the value of investment can be supplemented in certain cases by figures relating to the increase in the physical stock of capital. Table 40 shows the number of dwellings constructed before the war and during the post-war years. Owing to the cessation of building activity during the war, in most countries (with the exception of neutral countries like Sweden and Switzerland), few houses were built and housing activity was generally low in 1946. By 1948, however, the rate of completion of dwellings was in most countries approaching the pre-war level, but in the United Kingdom the number of dwellings completed, including temporary houses, was only two-thirds of the pre-war figure. Considered in relation to the total number of existing houses, the rate of construction in 1948 amounted to 2 to 3 per cent of the total number of dwellings in Norway and Sweden, to 1 to 2 per cent in Denmark, the Netherlands, Switzerland and the United Kingdom and to less than one per cent in Belgium and Czechoslovakia.

Estimates of merchant fleets and of railway rolling-stock and of electric generating capacity are also available for a number of European countries and are shown in Appendix C. The changes that have taken place in Europe (excluding Germany) since 1938 can be summarized in the following figures :

Indicators of Physical Capacity [a]

(Europe excluding Germany)

	1938	1947	1948
Merchant ships (tons)	100 [b]	80	88
Locomotives (numbers)	100	93	90 [c]
Wagons (numbers)	100	91	91 [c]
Electric generating capacity (kilowatts)	100	125	134

[a] Figures refer to mid-years in the case of merchant ships, and to end-years in the case of locomotives, wagons and electric generating capacity.

[b] 1939.

[c] August.

Table 40

CONSTRUCTION OF DWELLINGS

Country	Dwellings Completed (Thousand units [a])				Index Numbers (Pre-war year=100[b])			New Dwellings as Percentage of Existing Dwellings			
	Pre-war year [b]	1946	1947	1948	1946	1947	1948	Pre-war year [b]	1946	1947	1948
Belgium [c]	16	9	13	20	60	81	127	0.6	0.4	0.5	0.8
Czechoslovakia	38	..	29	..	..	76	..	1.1	..	0.7	..
Denmark [d]	21	..	10	18	..	46	83	1.9	..	0.8	1.5
Netherlands	38	2	9	33	4	24	85	1.9	0.1	0.4	1.6
Norway	16	7	15	15	42	94	96	2.1	0.9	2.0	2.1
Sweden	42	..	56	53	..	133	126	2.0	..	2.5	2.4
Switzerland [e]	9	11	14	..	123	154	..	0.8	..	1.2	1.6
United Kingdom [f]	359	138	186	244	39	52	68	2.7	1.1	1.4	1.9

Sources. — The figures have been taken from national statistics supplemented by data furnished to the Housing Sub-Committee, Economic Commission for Europe. For details, see Appendix B.

[a] It must be remembered that the average size of dwellings is not the same in each country and varies from year to year.

[b] Pre-war year for Netherlands, 1938; for Sweden, 1938/39; for United Kingdom, 1935-1938 average; for other countries, 1939.

[c] New dwellings authorized.

[d] Excluding rural dwellings.

[e] New dwellings in communities of over 2,000 inhabitants.

[f] Excluding Northern Ireland.

The tonnage of merchant ships and railway rolling-stock numbers appear to be still about one-tenth below pre-war, whereas electric generating capacity is about one-third higher. The increase in generating capacity between 1947 and 1948 was 7½ per cent, while increase in merchant shipping tonnage was 10½ per cent. In the case of railway rolling-stock, there was no increase in total numbers between 1947 and 1948 and there was, in fact, an actual decrease in the number of locomotives. This, however, appears to have been the result of the heavy scrapping of obsolete equipment which has taken place in a number of countries as supplies of new equipment have improved. Thus, while there was no rise in numbers the carrying capacity of rolling-stock increased. Moreover, carrying capacity was further improved in the same period by the reduction in the number of wagons and locomotives awaiting repair.

Conclusions

The above analysis of capital investment in the European countries suggests three main conclusions. First, it shows that the rate of capital formation in Europe, although about one-quarter higher in 1948 than in 1938, is still relatively low; in industry the rate of growth of capital could hardly have exceeded 3 per cent in the year. Secondly, the rate of capital formation in relation both to production and to existing stocks of capital was appreciably higher in the more developed countries of Europe than in the less developed countries, which suggests that the existing disparities in the extent to which resources are matched by capital equipment in different areas of Europe are growing rather than diminishing. Finally, the similarity in the patterns of industrial investment of the various countries —with its strong emphasis on the heavy industries in all cases—indicates that capital investment is allocated as if the economy of each country were regarded as a self-contained entity, aiming at a balanced development of industries within its national boundaries rather than a balanced development for Europe as a whole. There can be little doubt that, with greater co-ordination of the investment plans of the various countries, the real return on capital investment could be considerably enhanced by increased specialization of industrial development.

Chapter 4

THE GENERAL PATTERN OF TRADE [1]

1. Export and Import Trends

The Volume of Trade

In 1948, the total foreign trade of European countries continued to increase in comparison with the two preceding years, but remained appreciably less than before the war. Although the upward movement from 1947 to 1948 was more pronounced on the side of exports, they remained about 18 per cent lower than in 1938, compared with a reduction of 14 per cent in imports. These estimates are based on changes in Europe's trade measured in constant (1938) prices, since post-war nominal dollar values are seriously inflated by the general rise in prices. Estimates of trade both in current and constant prices are presented in Table 41 together with the corresponding indices of changes in prices and volumes. Price changes are important in themselves because of their effects both on the development of trade and production and on the balance of payments. These aspects of price changes will be examined subsequently. In the present chapter, data are expressed as far as possible in constant prices in order to show the basic trends in the volume of trade undistorted by price changes.

Table 41 shows a considerable shift in European exports and imports away from Europe and towards overseas countries in the post-war period compared with 1938. Heavier dependence on imports from abroad was inevitable in the early post-war years of general shortage in Europe. The necessity for procuring supplies from overseas has in turn influenced the relative shift in European exports to overseas areas. As far as exports are concerned, this shift was moderately accentuated in 1948, the volume of shipments to overseas countries somewhat exceeding the 1938 level, while the volume of intra-European trade remained some 30 per cent below the pre-war level. Nevertheless, the increase in intra-European trade from the extremely low levels of the immediate post-war years was one of the factors permitting a substantial reduction during 1948 in both the absolute and the relative amounts of European imports obtained from overseas compared with the two preceding years.

Current Movements of Exports and Imports

A closer view of recent trends in European trade may be obtained from the quarterly export and import indices presented in Table 42. These figures relate to the total exports and total imports of each country, since separate indices are not available for intra-European trade and trade with overseas countries. Movements in the indices of total exports and total imports are moreover sharply affected by seasonal variations in the various national indices. Hence, the basic trends in exports and imports can best be examined by a comparison of corresponding quarters from year to year. From the summary figures in Table 43 it may be noted that, over the period 1946-1948, the increase in exports from a given quarter of one year to the same quarter of the following year has, with two exceptions, been within the range of 16 to 20 points in the index, and has shown a fairly steady rate of increase of 27 per cent per annum. In contrast to this sustained upward movement of exports, imports appear to have levelled off since the middle of 1947. Although the avail-

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[1] Throughout this chapter the data on Europe's trade include the trade of the U.S.S.R., unless it is stated to the contrary.

Table 41

EUROPE'S TRADE IN CURRENT AND CONSTANT PRICES

Year	Trade with Non-European Countries		Intra-European Trade		Total Trade of Europe		Distribution of Total	
	Millions of dollars	*Index numbers (1938=100)*	Millions of dollars	*Index numbers (1938=100)*	Millions of dollars	*Index numbers (1938=100)*	Trade with non-European countries (per cent)	Intra-European trade (per cent)
In current f.o.b. prices :		*Price (Unit value)*		*Price (Unit value)*		*Price (Unit value)*		
1938 Imports . .	5,548	*100*	6,912	*100*	12,460	*100*	45	55
Exports . .	3,718	*100*			10,630	*100*	35	65
1946 Imports . .	9,494	*177*	6,131	*195*	15,625	*184*	61	39
Exports . .	4,285	*186*			10,416	*191*	41	59
1947 Imports . .	13,719	*217*	8,661	*229*	22,380	*221*	61	39
Exports . .	6,382	*212*			15,043	*221*	42	58
1948[a] Imports . .	14,549	*244*	11,446	*239*	25,995	*242*	56	44
Exports . .	8,605	*221*			20,051	*230*	43	57
In 1938 f.o.b. prices :		*Volume*		*Volume*		*Volume*		
1938 Imports . .	5,548	*100*	6,912	*100*	12,460	*100*	45	55
Exports . .	3,718	*100*			10,630	*100*	35	65
1946 Imports . .	5,350	*92*	3,150	*45*	8,500	*67*	63	37
Exports . .	2,300	*62*			5,450	*51*	42	58
1947 Imports . .	6,320	*114*	3,789	*55*	10,109	*81*	63	37
Exports . .	3,013	*81*			6,802	*64*	44	56
1948[a] Imports . .	5,960	*107*	4,797	*69*	10,757	*86*	55	45
Exports . .	3,886	*105*			8,699	*82*	45	55

Source. — Research and Planning Division, Economic Commission for Europe. For details of methods of computation, see Appendix B.

[a] Provisional, based on figures for less than the full year.

able quarterly index figures do not permit a break-down of imports according to origin, it may be concluded from Table 41 that the behaviour of total imports since the middle of 1947 reflects a decline in imports from overseas offset by an increase in imports from within Europe.

It is apparent from the national indices given in Table 42 that the United Kingdom has accounted for much of the recovery of European exports, having attained in the last quarter of 1948 an export volume equivalent to 147 per cent of 1938.[1] Although starting from a lower post-war level, other European countries have, however, registered an even sharper rate of growth in exports and, if Germany is excluded from the group, they attained in the aggregate an export volume equal to 92 per cent of 1938 in the last quarter of 1948, as is clearly visible in Chart 2. On the side of imports, Chart 3 shows that the low post-war level of total imports into Europe compared with 1938 is primarily due to the reduction of imports into Germany and the United Kingdom. Imports into other European countries, taken as a group, were above the pre-war volume in 1947, but have since declined moderately.

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[1] The volume index for exports from the United Kingdom showed a further sharp rise to 160 per cent of 1938 in January 1949, but fell back to 143 per cent in February 1949.

Table 42

QUARTERLY MOVEMENTS IN THE VOLUME OF IMPORTS AND EXPORTS OF EUROPEAN COUNTRIES

Index Numbers — 1938 = 100

Country		1938	1947				1948				1947	1948
		Value in millions of dollars [a]	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	Year	Year [b]
United Kingdom	Imports	3,732	67	78	88	77	80	81	82	80	77	81
	Exports	2,291	101	102	114	118	126	134	138	147	109	136
Ireland	Imports	183	92	117	141	147	138	136	103	..	124	128
	Exports	118	52	62	80	85	62	57	76	..	70	67
France	Imports	1,198	101	131	103	93	88 [c]	111	105	108	107	103 [c]
	Exports	863	77	94	82	87	69 [c]	107	94	106	85	94 [c]
Netherlands	Imports	732	69	84	82	88	..	..	..	..	81	..
	Exports	579	41	49	54	73	..	..	..	..	54	..
Belgium-Luxemburg	Imports	702	99	98	105	133	107	103	101	108	109	105
	Exports	721	51	77	67	66	81	93	93	117	65	96
Switzerland	Imports	340	127	150	143	168	165	158	128	135	147	146
	Exports	301	108	115	111	126	106	124	121	152	115	126
Italy	Imports	519	..	..	..	..	..	..	..	..	123	106
	Exports	549	..	..	..	..	..	..	..	..	54	84
Turkey	Imports	121	69	98	136	106	101	93	124	..	102	122
	Exports	122	122	89	63	82	70	69	59	..	89	73
Denmark	Imports	308	..	..	..	..	..	..	..	..	80	81
	Exports	335	..	..	..	..	..	..	..	..	67	72
Sweden	Imports	472	102	128	149	121	104	118	112	101	125	109
	Exports	463	48	70	88	90	60	81	85	95	74	80
Norway	Imports	262	118	137	113	106	82	98	95	123 [d]	119	100
	Exports	193	71	95	79	81	83	88	73	80 [d]	82	85
Finland	Imports	163	49	49	77	86	77	92	78	71 [d]	65	80
	Exports	181	40	75	66	68	67	67	58	64 [d]	62	64
Austria [e]	Imports	263	..	..	..	..	..	..	..	..	..	..
	Exports	171	16	26	30	44	39	51	58	..	29	..
Czechoslovakia	Imports	262	60	90	90	96	121	112	98	..	84	118
	Exports	358	40	57	50	73	63	74	68	..	55	74
Poland	Imports	231	94	173	124	124	145	150	123	132 [f]	128	108
	Exports	223	34	59	65	63	76	92	104	91 [f]	55	99
Hungary	Imports	116	43	48	54	63	67	62	59	58 [f]	52	62
	Exports	148	22	28	25	31	35	36	31	49 [f]	26	36
Bulgaria [g]	Imports	46	43	57	102	82	89	..	..	..	71	..
	Exports	62	29	43	53	66	70	..	..	..	48	..
TOTAL Europe [h]	Imports	12,460	69	84	86	86	84	88	85	88	81	86
	Exports	10,630	55	64	66	71	72	82	82	91	64	82

Sources. — The volume indices for individual countries are based on national statistics. The index for the whole of Europe was calculated in the Research and Planning Division, Economic Commission for Europe. For details of the methods of computation, see Appendix B.

[a] The values of both imports and exports are shown on an f.o.b. basis.

[b] Where figures for the whole year were not available, the annual average has been based on indices covering part of the year and on import and export trends for the remainder of the year.

[c] See Appendix B.

[d] Average of two months.

[e] Base of the index numbers : 1937.

[f] October only.

[g] Base of the index numbers : 1939.

[h] The value of imports and exports in 1938 includes the U.S.S.R. and other European countries not listed in the table. Similarly, indices for total Europe in 1947 and in 1948 include rough estimates for these countries.

Chart 2

POST-WAR TRENDS IN EUROPEAN EXPORTS COMPARED WITH 1938

Quarterly movements expressed as annual rates in 1938 f.o.b. prices

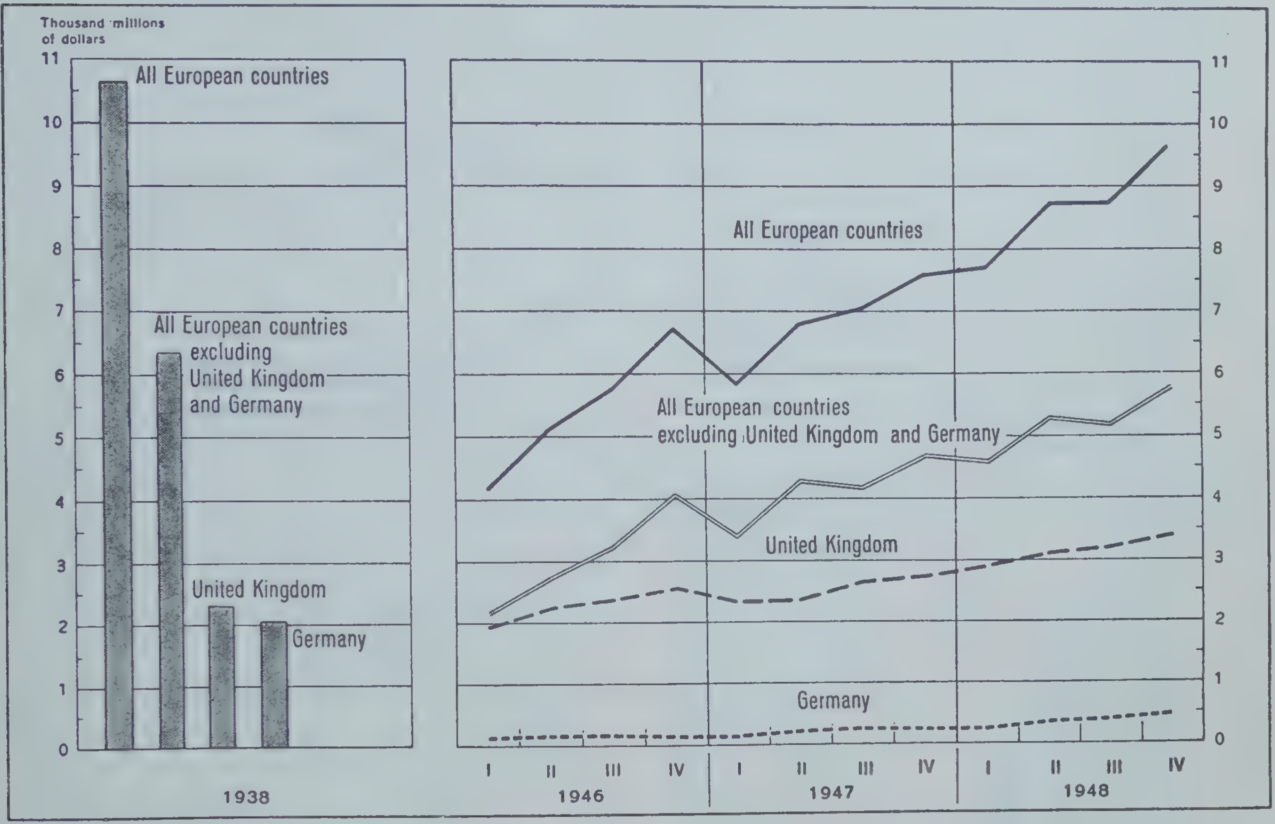


Table 43

QUARTERLY MOVEMENTS IN THE VOLUME OF EUROPE'S TOTAL IMPORTS AND EXPORTS

Index numbers — 1938 = 100

Quarter	1946	1947	1948
Imports :			
First quarter . . .	56	69	84
Second quarter . .	68	84	88
Third quarter . . .	68	86	85
Fourth quarter . .	76	86	88
Exports :			
First quarter . . .	39	55	72
Second quarter . .	48	64	82
Third quarter . . .	54	66	82
Fourth quarter . .	63	71	91

Source. — The figures for 1947 and 1948 are derived from Table 42.

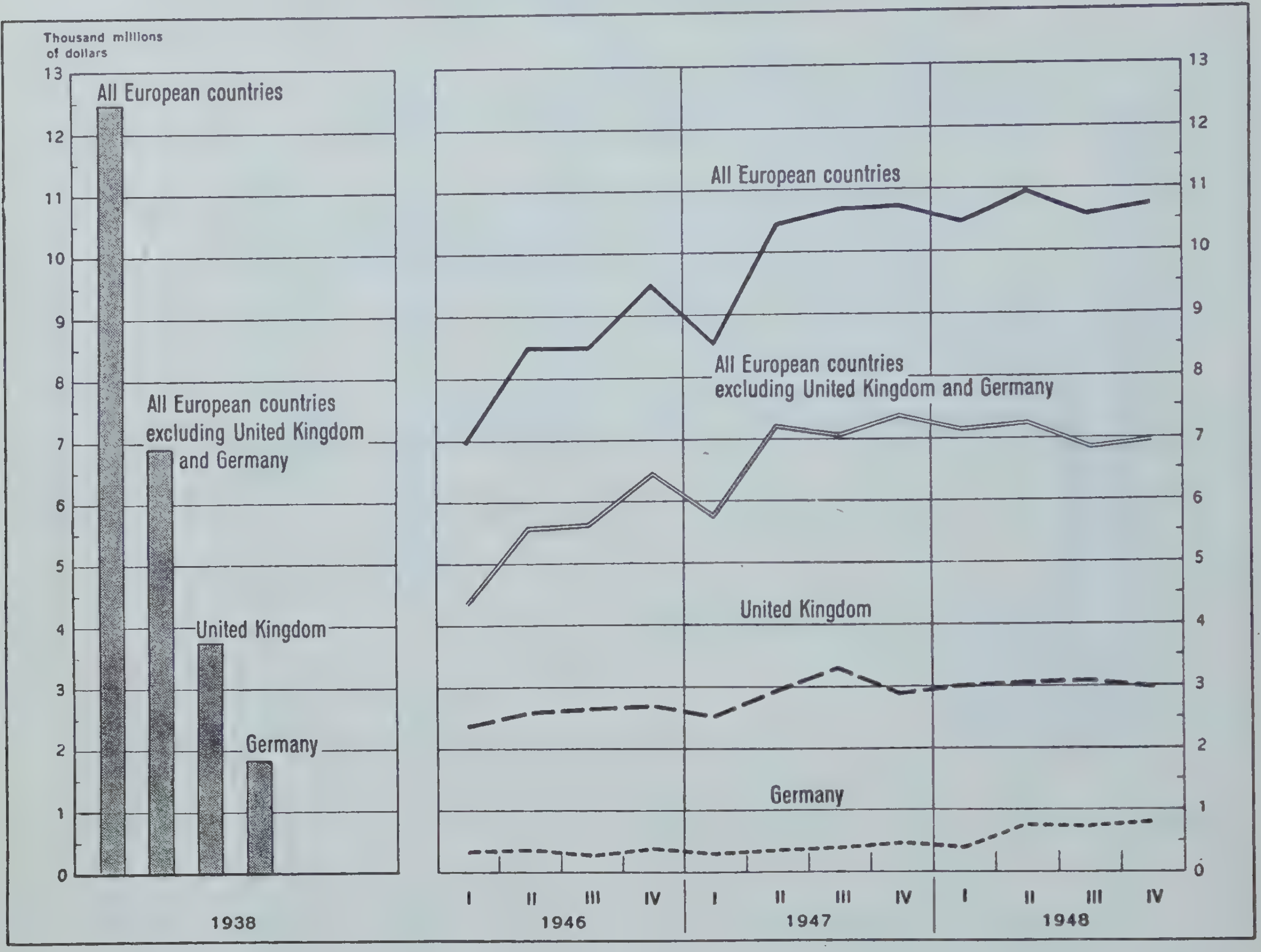
The figures for 1946 have been taken from last year's SURVEY and are not strictly comparable with those for 1947 and for 1948.

The recent trends in European exports and imports thus reflect marked progress towards equilibrium in trade. The rise in total exports noted in the quarterly comparisons given above is equivalent to an annual rate of increase of about $1,600 million at 1938 prices (or about 15 per cent of exports in the base year of the index). If this rate of increase is maintained, exports would become equal in value to the 1948 level of imports by the middle of 1950, assuming that export and import prices stand in the same relationship to each other (even though at higher absolute levels) as that which prevailed in 1938. To equal 1938 import levels, the recent rate of export expansion would have to be continued until the middle of 1951. For the purpose of this calculation, it may be supposed either that the additional exports are sold overseas and thus help to pay for overseas imports or that they are sold within Europe and serve to displace imports from overseas.

Chart 3

POST-WAR TRENDS IN EUROPEAN IMPORTS COMPARED WITH 1938

Quarterly movements expressed as annual rates in 1938 f.o.b. prices



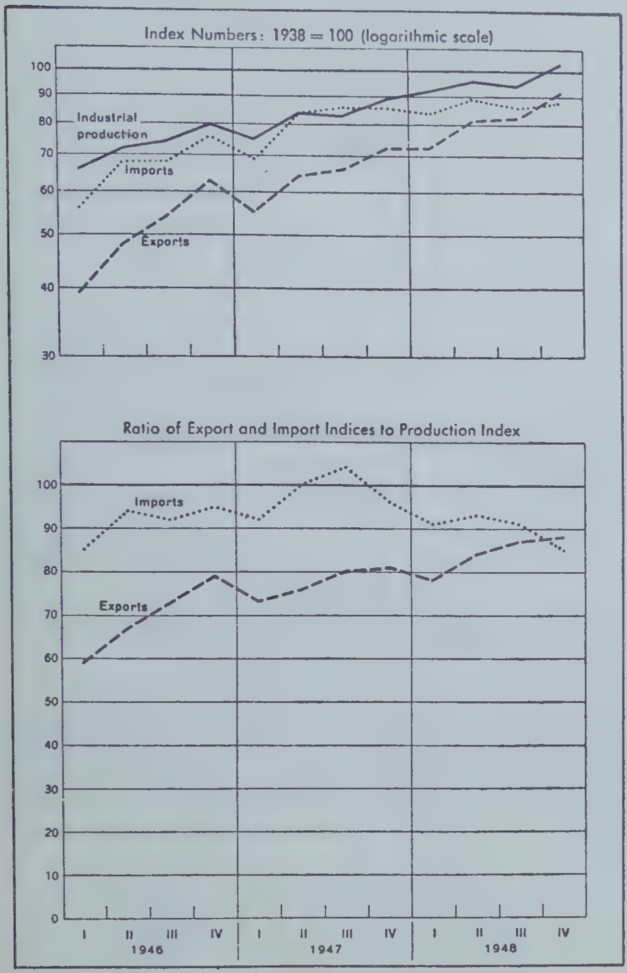
Simple projections of this nature cannot, of course, be made without taking into account the difficulties that may emerge in enlarging export markets and the need for increased imports of raw materials to support an increase in production for export. Account must also be taken of major geographic differences in the origin of imports and in the destination of exports. These differences give rise, however, to fundamental questions concerning multilateral trade and the convertibility of currencies which will be analysed in subsequent chapters.

2. Trade in Relation to Production

The general view of progress towards trade recovery in 1948 appears to be supported by a comparison of recent trends in exports, imports, and production in Europe. Low levels of production in the early post-war period necessarily meant a still sharper reduction in the supply of goods available for export. As production recovered, exports increased still faster. These trends are brought out in Chart 4, which shows the narrowing of the gap between the volume of industrial production and the volume of exports. It will also be noted that the increase in production was accompanied, after the middle of 1947, by a relative decline in imports. Various factors contributed to the decline in imports in relation to production,

Chart 4

RELATIVE MOVEMENTS OF INDUSTRIAL PRODUCTION, IMPORTS AND EXPORTS [a]



[a] Europe, excluding the U.S.S.R.

including not only decreased import requirements as home production has recovered, but also the lessening of inflationary pressure, restrictions on imports of consumers' goods, the curtailment of post-war relief programmes, export licensing policy in the United States and the completion of certain large post-war deliveries of capital equipment. The commodity analysis in a subsequent section also shows that increases in industrial production during 1948 were achieved with a relatively lower dependence on imported raw materials in comparison with both 1938 and 1947. Economies in this direction cannot be expected to continue indefinitely. Further increases in production and in exports may therefore be accompanied by rising imports of raw materials, although these may be offset by the reduction of imports of other classes of goods.

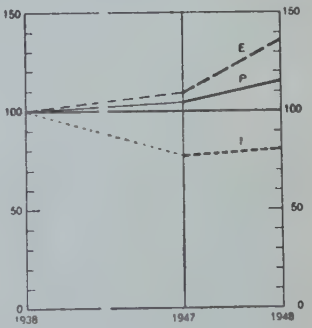
Similar trends in the relative movements of production, exports and imports are likewise brought out in Table 44, which has the advantage of including agricultural commodities in production (as they are in the trade figures), but for this reason the figures can be presented only on an annual basis. In this comparison, exports and imports in 1948 appear to be closer to their pre-war relation to total production than to industrial production alone, because of the lower degree of recovery in agriculture.

The comparisons which have been drawn between trade and production can be regarded only as the composite results of varying trends in different countries. When the corresponding data for individual countries are examined separately in the accompanying charts, the difficulty of establishing generalizations becomes apparent. As the analysis in Chapter 1 of this SURVEY has shown, the rise in production from 1947 to 1948 was general and most countries reached or exceeded their 1938 volume of output. Most of them likewise increased their exports more or less on a parallel with the rise in production from 1947 to 1948, but with exports commonly much lower than production in relation to pre-war. The behaviour of imports varied more widely, both in the direction of the movements recorded and in their relationship to pre-war levels.

The United Kingdom, which is confronted with the largest adjustment problem in absolute terms, exhibits the most pronounced adaptation to its changed post-war situation. Production in 1948 was substantially higher than in 1938, the rise in exports was relatively sharper (being equal

Chart 5 A

UNITED KINGDOM



Volume index — 1938 = 100

P = Production

I = Imports E = Exports

Table 44

TOTAL IMPORTS AND TOTAL EXPORTS IN RELATION TO THE PRODUCTION OF COMMODITIES IN EUROPE [a]

Millions of dollars in 1938 prices

Item	1938	1947	1948 [b]
Production of commodities [c]	45,947	36,010	41,129
Total exports [d]	10,265	6,624	8,371
Ratio of exports to production	*22*	*18*	*20*
Total imports [d]	12,132	9,873	10,506
Ratio of imports to production	*26*	*27*	*26*

Source. — The figures are derived from Tables 46 and 16.

[a] Excluding the U.S.S.R. Imports and exports include trade among European countries as well as the trade of European countries with non-European countries.

[b] Provisional, based on figures for less than the full year.

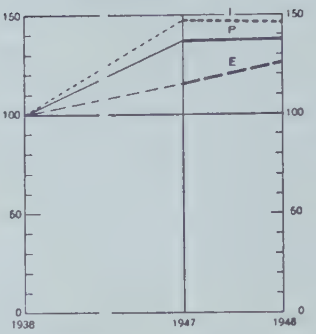
[c] Including both agricultural and industrial production.

[d] F.o.b. prices.

to more than half of the total increase in production), while imports remained well below the pre-war level. Because of its large share in the total trade of Europe, the relatively high level of the United Kingdom's exports and the low level of its imports in 1948 weigh heavily in the aggregate movements which have been presented in Charts 2 and 3 and Table 44, and make them unrepresentative of European countries in general.

Chart 5 B

SWITZERLAND



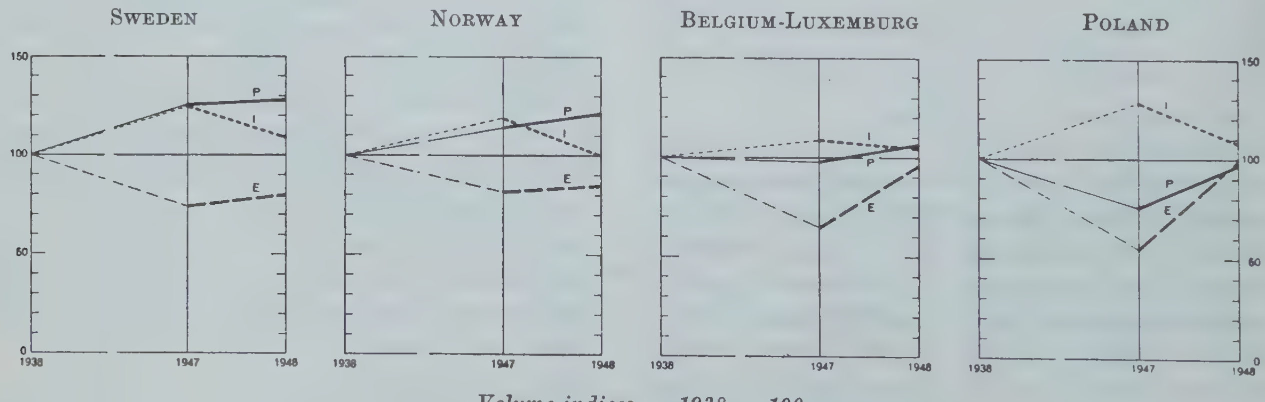
Volume index — 1938 = 100

P = Production
I = Imports E = Exports

Apart from the United Kingdom, Switzerland was the only other country to register an increase in exports in both 1947 and 1948 compared with pre-war. It differs sharply from the United Kingdom, however, in that the rise in exports in the post-war period was very much smaller than the rise in production, while the increase in imports was relatively much greater. Switzerland is also, of course, almost unique among European countries in that it has suffered no apparent strain in its balance of payments since the war, although even in this instance there has been a large current account deficit offset by capital movements.

Three other countries—Belgium-Luxemburg, Norway and Sweden—may be grouped together because of certain broad similarities in their post-war developments. In comparison with 1938, they have all tended to show higher levels of production in the post-war period, accompanied, however, by smaller exports and greater imports, the net effect being a substantially larger volume of goods available for home use. But, compared with 1947, there was in each country a substantial readjustment in 1948 in the form of increased production and exports and reduced imports. Poland shows a somewhat similar development, although the sharp recovery of production in 1948 was from a very low post-war level and it did not quite regain the pre-war volume.

Chart 5 C

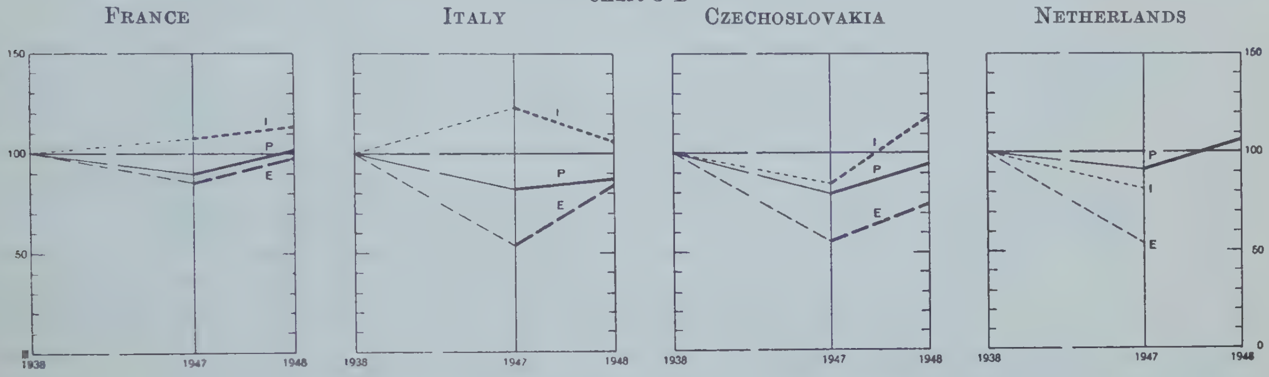


Volume indices — 1938 = 100

P = Production I = Imports E = Exports

Czechoslovakia, France, Italy and the Netherlands may likewise be grouped together because of certain common characteristics in their post-war trends. In all of these countries, production—although increasing from 1947 to 1948—either remained below or only moderately exceeded the pre-war level. Exports, while also rising, continued to lag behind production, and imports remained high in relation to pre-war, continuing (except in the instance of Italy) to increase from 1947 to 1948. It may be estimated that, as a result of these changes, the volume of goods available for home use was substantially larger in 1948 than in 1938 in France and the Netherlands and slightly so in Czechoslovakia, but this was not true of Italy because of the low level of production.

Chart 5 D



Volume indices — 1938 = 100

P = Production I = Imports E = Exports

Ireland and Turkey, although accounting for only a small part of European trade, form an interesting class by themselves with production well above pre-war and increasing, exports below pre-war and declining, imports above pre-war and rising, and goods available for home use very much higher than in 1938. Each country has, however, benefited by exceptional circumstances : Ireland, by drawing on its large sterling balances accumulated during the war and by its heavy receipts from Irish residents and investments in England, as well as by assistance received under the European Recovery Programme ; Turkey, by the use of part of its wartime accumulations of gold and sterling balances and by participation in both the Greco-Turkish Aid Programme and the European Recovery Programme.

Finland and Hungary also appear to show closely similar developments. In both countries, production was below pre-war in 1947, imports were low in relation to production, and exports were lower still, while in 1948 each of the three indices tended to rise.

Chart 5 E

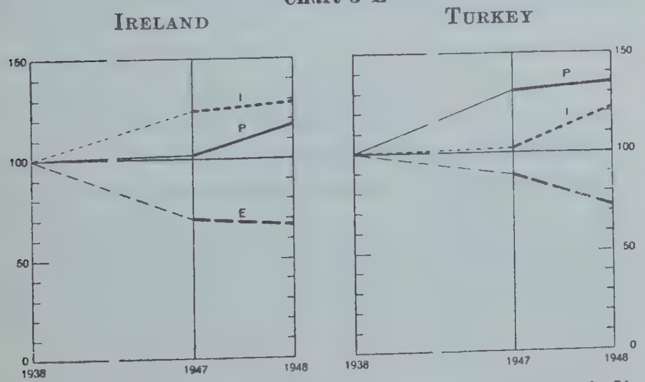
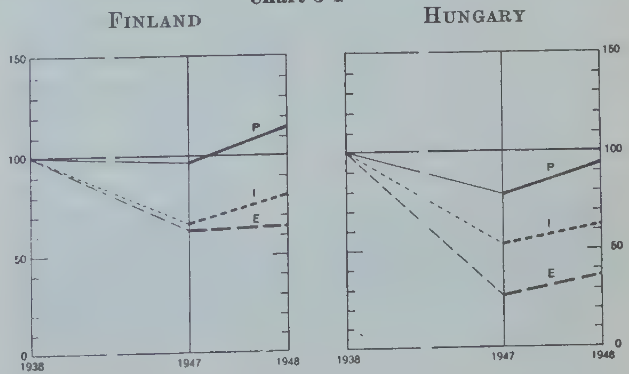


Chart 5 F



Volume indices — 1938 = 100

P = Production I = Imports E = Exports

Table 45

EUROPEAN PRODUCTION, IMPORTS, EXPORTS AND GOODS AVAILABLE FOR HOME USE

Millions of dollars in 1938 prices

Year		Agricultural and industrial production (1)	Imports [a] (2)	Exports [a] (3)	Goods available for home use (4)=(1)+(2)−(3)
All European countries [b]	1938 . . .	45,947	12,132	10,265	47,814
	1948 . . .	41,129	10,506	8,371	43,264
Change		— 4,818	— 1,626	— 1,894	— 4,550
Excluding Germany	1938	32,989	10,296	8,242	35,043
	1948	35,062	9,844	7,997	36,909
Change		+ 2,073	— 452	— 245	+ 1,866
Excluding Germany and United Kingdom	1938	24,301	6,564	5,951	24,914
	1948	25,038	6,825	4,907	26,956
Change		+ 737	+ 261	— 1,044	+ 2,042

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

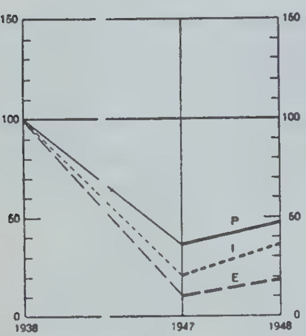
[a] f.o.b. prices.

[b] Excluding the U.S.S.R.

It must, however, be remembered that both these countries have had heavy obligations on reparations account. If reparations deliveries were included, exports would stand at a substantially higher level in 1947 and 1948.

Chart 5 G

GERMANY



Volume index — 1938 = 100

P = Production
I = Imports E = Exports

Finally, Germany stands in a class by itself because of its extremely low level of production, exports and imports. Although each of these indices rose appreciably from 1947 to 1948 (the rise in production and exports in the latter part of the year not being adequately reflected in the averages for the whole twelve months) it is clear that Germany faces the most serious readjustment problem of all and has made only moderate progress toward the restoration of its trade balance.

In summary, it is clear that the estimates of aggregate European production and trade in 1948 compared with 1938 are strongly affected by the wide changes in the situation of two countries, Germany and the United Kingdom, and hence that the overall figures are not typical of European countries in general (see Table 45). Including both Germany and the United Kingdom, total European production, imports and exports, as well as goods available for home use, were still considerably below pre-war in 1948. Excluding Germany, however, production was substantially larger than in 1938, and goods available for home use increased almost as much, imports having fallen somewhat more than exports. When the United Kingdom is also excluded, the picture again changes sharply for the remaining group of European countries: goods available for home use in 1948 were above the 1938 level, but the rise in production made a smaller contribution to this result than the increase in imports and the decrease in exports. The combination of increased production, smaller exports, larger imports and a net increase in goods available for home use in comparison with 1938 thus appears to have been the more typical situation for countries other than the United Kingdom and Germany in 1948.[1]

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[1] The chief exceptions would appear to be Finland, Hungary and Italy for reasons indicated in the text.

3. THE GEOGRAPHIC PATTERN OF EUROPE'S TRADE

When examined in detail in Table 46, the geographic pattern of Europe's trade shows striking changes in 1948 compared with both 1947 and 1938. For convenience of analysis and comparability, the data are summarized in the table by groups of countries and, as must be particularly emphasized, are expressed in constant (1938) prices. It must also be noted that all figures cited in the present section are likewise in 1938 prices; at post-war prices they would be from two to three times higher. (A detailed table in which the pattern of Europe's trade is shown with a complete breakdown country by country is included in a pocket inside the back cover of this volume, the figures in this case being given in current prices.)

Drastic shifts occurred in the source of European imports in 1948 as compared with 1947. While total imports increased by some $650 million, there was a sharp fall of some $970 million in imports from the United States and Canada, which was compensated by an increase of $612 million in imports from other overseas countries and an increase of slightly more than $1,000 million in imports from European countries. The distribution of imports in 1948 compared with 1947 and 1938 thus reveals a pronounced tendency to return to the pre-war pattern, but imports from North America in 1948 nevertheless remained higher than before the war, while imports from other overseas countries and from European sources remained lower than in 1938.

Imports from Overseas Countries

Of the total increase in imports from overseas countries other than the United States and Canada, the United Kingdom alone absorbed more than half, the greater part of the remainder being taken by France and other Western European industrial countries. It was likewise chiefly these countries which accounted for the bulk of the reduction in imports from North America, British imports dropping well below the 1938 level. In relative terms there was an even sharper decline in imports from American sources into the Scandinavian and Eastern European countries and the U.S.S.R. In the last two instances, the decline may be regarded as the combined result of the termination of the U.N.R.R.A. programme, the dollar shortage, and the restrictive effects of United States export licensing in reducing shipments to these areas. Of the country groups shown in Table 46, only that composed of Germany and Austria showed an increase in imports from the United States from 1947 to 1948. Although it is not shown separately, there was also an increase of imports from the United States into Greece and Turkey.[1] This increase partly accounts for the relatively moderate extent of the decline in total imports from the United States into the Mediterranean group of countries, which remained almost four times as large as in 1938.

Exports to Overseas Countries

Of Europe's gains in overseas exports, only a small part was achieved in trade with the United States and Canada, which increased by less than $150 million from 1947 to 1948 and remained below the 1938 level, while exports to other overseas countries rose by more than $700 million and exceeded the 1938 volume. The United Kingdom, which has directed the major portion of its export drive towards overseas countries, accounted for well over half of the aggregate increase in overseas exports. As a result of this expansion, the United Kingdom's exports in 1948 made up 55 per cent of total European exports to overseas countries compared with 40 per cent in 1938. The rise in British exports from 1938 to 1948 is approximately equal to the decline during the same period in the overseas exports of Germany, which accounted for 15 per cent of European exports to overseas countries in

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[1] See the detailed table on trade by countries which is inserted in the back cover of this volume.

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THE NETWORK OF EURO

Millions of do

	Importing Area / Exporting Area	Year	I		II		III		IV		V		VI
			United Kingdom, Ireland and Iceland		Western European industrial countries		Mediterranean and Iberian countries		Scandinavian countries		Germany and Austria		Eastern European countries
			Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars
I	United Kingdom, Ireland and Iceland	1938	215	*100*	212	*100*	107	*100*	204	*100*	114	*100*	53
		1947	213	*99*	253	*119*	111	*104*	218	*107*	54	*47*	49
		1948	232	*108*	286	*135*	166	*155*	278	*136*	58	*51*	37
II	Western European industrial countries	1938	362	*100*	566	*100*	109	*100*	128	*100*	291	*100*	102
		1947	163	*45*	485	*86*	116	*106*	186	*145*	50	*17*	68
		1948	221	*61*	571	*101*	121	*111*	198	*155*	128	*44*	83
III	Mediterranean and Iberian countries	1938	82	*100*	95	*100*	65	*100*	27	*100*	232	*100*	64
		1947	95	*116*	108	*114*	57	*88*	56	*207*	8	*3*	32
		1948	106	*129*	125	*132*	53	*82*	57	*211*	34	*15*	44
IV	Scandinavian countries	1938	440	*100*	115	*100*	35	*100*	153	*100*	209	*100*	32
		1947	172	*39*	168	*146*	47	*134*	143	*93*	34	*16*	58
		1948	191	*43*	167	*145*	40	*114*	136	*89*	42	*20*	46
V	Germany and Austria	1938	152	*100*	444	*100*	281	*100*	277	*100*	78	*100*	288
		1947	33	*22*	139	*31*	16	*6*	27	*10*	12	*15*	19 [a]
		1948	52	*34*	219	*49*	35	*12*	40	*14*	27	*35*	45 [a]
VI	Eastern European countries	1938	116	*100*	121	*100*	102	*100*	55	*100*	353	*100*	147
		1947	22	*19*	82	*68*	33	*32*	62	*113*	30 [a]	*8* [a]	87
		1948	47	*41*	92	*76*	37	*36*	79	*144*	57 [a]	*16* [a]	186
VII	U.S.S.R. (including pre-war Baltic countries)	1938	121	*100*	72	*100*	17	*100*	19	*100*	55	*100*	7
		1947	11	*9*	9	*13*	2	*12*	26	*137*	. .	. .	97 [b]
		1948	42	*35*	27	*38*	2	*12*	36	*189*	. .	. .	169 [b]
VIII	Total Europe (including U.S.S.R.)	1938	1,488	*100*	1,625	*100*	716	*100*	863	*100*	1,332	*100*	693
		1947	709	*48*	1,244	*77*	382	*53*	718	*83*	188	*14*	410
		1948	891	*60*	1,487	*92*	454	*63*	824	*95*	346	*26*	610
IX	United States and Canada	1938	817	*100*	351	*100*	110	*100*	144	*100*	177	*100*	80
		1947	1,027	*126*	1,011	*288*	477	*434*	332	*231*	268	*151*	177
		1948	699	*86*	721	*205*	427	*388*	136	*94*	343	*194*	65
X	Other overseas countries	1938	1,620	*100*	996	*100*	202	*100*	197	*100*	590	*100*	131
		1947	1,413	*87*	881	*88*	352	*174*	200	*102*	29	*5*	55 [b]
		1948	1,692	*104*	1,042	*105*	351	*174*	225	*114*	102	*17*	91 [b]
XI	Total overseas countries	1938	2,437	*100*	1,347	*100*	312	*100*	341	*100*	767	*100*	211
		1947	2,440	*100*	1,892	*140*	829	*266*	532	*156*	297	*39*	232
		1948	2,391	*98*	1,763	*131*	778	*249*	361	*106*	445	*58*	156
XII	TOTAL	1938	3,925	*100*	2,972	*100*	1,028	*100*	1,204	*100*	2,099	*100*	904
		1947	3,149	*80*	3,136	*106*	1,211	*118*	1,250	*104*	485	*23*	642
		1948	3,282	*84*	3,250	*109*	1,232	*120*	1,185	*98*	791	*38*	766

Source. — Research and Planning Division, Economic Commission for Europe.

NOTES. — In certain cases, the totals in Groups VIII, XI and XII are incomplete since they repeat the omiss
in Groups V, VI, VII and X which are indicated by footnotes or the symbol ". .".

The composition of country groups is as follows :

Group I — United Kingdom, Ireland, Iceland ; Group II — France, Netherlands, Belgium, Luxemburg, S
zerland ; Group III — Italy, Greece, Spain, Portugal, Turkey and miscellaneous continental and non-continental Euro
countries and territories ; Group IV — Denmark, Sweden Norway, Finland ; Group V — All zones of Germany

ADE BY COUNTRY GROUPS

1938 f.o.b. prices

VII		VIII		IX		X		XI		XII		Importing Area		
U.S.S.R. (including re-war Baltic countries)		Total Europe (including U.S.S.R.)		United States and Canada		Other overseas countries		Total overseas countries		TOTAL				
illions of ollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Year	Exporting Area	
55	*100*	960	*100*	214	*100*	1,252	*100*	1,466	*100*	2,426	*100*	1938	United Kingdom, Ireland and Iceland	I
30	*55*	928	*97*	203	*95*	1,459	*117*	1,662	*113*	2,590	*107*	1947		
11	*20*	1,068	*111*	273	*128*	1,849	*148*	2,122	*145*	3,190	*131*	1948		
49	*100*	1,607	*100*	166	*100*	691	*100*	857	*100*	2,464	*100*	1938	Western European industrial countries	II
2	*4*	1,070	*67*	107	*64*	689	*100*	796	*93*	1,866	*76*	1947		
12	*24*	1,334	*83*	151	*91*	859	*124*	1,010	*118*	2,344	*95*	1948		
11	*100*	576	*100*	95	*100*	257	*100*	352	*100*	928	*100*	1938	Mediterranean and Iberian countries	III
1	*9*	357	*62*	75	*79*	208	*81*	282	*80*	640	*69*	1947		
2	*18*	421	*73*	93	*98*	306	*119*	399	*113*	820	*88*	1948		
15	*100*	999	*100*	82	*100*	91	*100*	173	*100*	1,172	*100*	1938	Scandinavian countries	IV
30	*200*	652	*65*	66	*80*	119	*131*	185	*107*	837	*71*	1947		
32	*213*	654	*65*	60	*73*	136	*149*	196	*113*	850	*73*	1948		
51	*100*	1,571	*100*	76	*100*	547	*100*	623	*100*	2,194	*100*	1938	Germany and Austria	V
..	..	246	*16*	5	*7*	2	*0*	7	*1*	253	*12*	1947		
..	..	418	*27*	21	*28*	30	*5*	51	*8*	469	*21*	1948		
14	*100*	908	*100*	53	*100*	120	*100*	173	*100*	1,081	*100*	1938	Eastern European countries	VI
75 [b]	*536* [b]	391	*43*	14	*26*	33 [b]	*28*	47	*27*	438	*41*	1947		
128 [b]	*914* [b]	626	*69*	16	*30*	56 [b]	*47*	72	*42*	698	*65*	1948		
—	—	291	*100*	27	*100*	47	*100*	74	*100*	365	*100*	1938	U.S.S.R. (including pre-war Baltic countries)	VII
—	—	145	*50*	31	*115*	2	*4*	33	*45*	178	*49*	1947		
—	—	276	*95*	34	*126*	18	*38*	52	*70*	328	*90*	1948		
195	*100*	6,912	*100*	713	*100*	3,005	*100*	3,718	*100*	10,630	*100*	1938	Total Europe (including U.S.S.R.)	VIII
138	*71*	3,789	*55*	501	*70*	2,512	*84*	3,013	*81*	6,802	*64*	1947		
185	*95*	4,797	*69*	648	*91*	3,254	*108*	3,902	*105*	8,699	*82*	1948		
80	*100*	1,759	*100*	728	*100*	1,458	*100*	2,186	*100*	3,945	*100*	1938	United States and Canada	IX
86	*108*	3,378	*192*	1,513	*208*	4,201	*288*	5,714	*261*	9,092	*230*	1947		
15	*19*	2,406	*137*	1,504	*207*	3,462	*237*	4,966	*227*	7,372	*187*	1948		
53	*100*	3,789	*100*	1,207	*100*	2,569	*100*	3,776	*100*	7,565	*100*	1938	Other overseas countries	X
12	*23*	2,942	*78*	1,804	*149*	1,455	*57*	3,259	*86*	6,201	*82*	1947		
51	*96*	3,554	*94*	1,804	*149*	1,566	*61*	3,370	*89*	6,924	*92*	1948		
133	*100*	5,548	*100*	1,935	*100*	4,027	*100*	5,962	*100*	11,510	*100*	1938	Total overseas countries	XI
98	*74*	6,320	*114*	3,317	*171*	5,656	*140*	8,973	*151*	15,293	*133*	1947		
66	*50*	5,960	*107*	3,308	*171*	5,028	*125*	8,336	*140*	14,296	*124*	1948		
328	*100*	12,460	*100*	2,648	*100*	7,032	*100*	9,680	*100*	22,140	*100*	1938	TOTAL	XII
236	*72*	10,109	*81*	3,818	*144*	8,168	*116*	11,986	*124*	22,095	*100*	1947		
251	*77*	10,757	*86*	3,956	*149*	8,282	*118*	12,238	*126*	22,995	*104*	1948		

tria ; Group VI — Czechoslovakia, Poland, Rumania, Hungary, Yugoslavia, Bulgaria ; Group VII — Union of Soviet alist Republics, including Estonia, Latvia and Lithuania in 1938 figures ; Group VIII — Total Europe, including the on of Soviet Socialist Republics ; Group IX — United States of America and Canada ; Group X — All other overseas ntries ; Group XI — Total overseas countries ; Group XII — Total.

[a] Excluding trade between Germany and Yugoslavia.

[b] Excluding trade with Yugoslavia.

1938 and just over 1 per cent in 1948. With the exception of Eastern European countries and the U.S.S.R., the other principal groups of European countries covered by Table 46 have managed to raise their overseas exports to some 13 to 18 per cent above the pre-war level. In the case of France, whose trade plays an important part in the total, it must also be remembered that, compared with pre-war, a greatly increased proportion of overseas exports is sent to the French overseas territories, whereas French imports from these territories have declined substantially both in absolute and in relative terms.

Intra-European Trade

The principal groups of countries which contributed, as exporters, to the marked increase in intra-European trade from 1947 to 1948 were the Western European industrial countries, Eastern European countries, Austria and Germany, and the United Kingdom. Exports by the Mediterranean group of countries increased only moderately, while exports from the Scandinavian countries remained virtually static from 1947 to 1948. Viewed in their role as importers, on the other hand, the various groups of European countries covered in Table 46 shared more or less evenly in the rise in intra-European trade.

It is to be noted that only the United Kingdom has succeeded in raising exports to other European countries, taken as a whole, above the pre-war level, while on the import side none of the groups covered in the table imported as much from other European countries in 1948 as before the war. There has, of course, been a substantial increase in particular sectors of European trade, the most spectacular being in trade among the Eastern European countries and between this group and the U.S.S.R. With the notable exception of their exports to the United Kingdom, which are much lower than before the war, the Scandinavian countries have likewise increased their trade with most of the other country groups. In none of these instances, however, have the increases fully offset the fall compared with 1938 in trade with Germany and Austria. Despite a significant increase in their trade from 1947 to 1948, Germany and Austria remained the principal centre of contraction in intra-European trade, and their inclusion in the intra-European totals tends to misrepresent the degree of recovery in mutual trade attained by other European countries. Excluding all exports to and imports from Germany and Austria, trade among other European countries was virtually restored to its pre-war level in 1948.

There were, however, other important areas of contraction as well, the largest of which was in British imports from other European countries. These were almost $600 million smaller in 1948 than in 1938 and account for the whole of the contraction in total British imports. In contrast, British imports from overseas countries, taken as a group, were at virtually the same level in 1938, 1947 and 1948.[1]

4. THE COMMODITY STRUCTURE OF EUROPE'S TRADE

In analysing the general pattern of Europe's trade up to this point, it has been necessary to stress the varying roles of different countries, the differences between the movements of trade with different areas (especially between intra-European trade and overseas trade) and the shifts in the origin of overseas imports. The pattern becomes still more complex when the examination is extended to cover changes in the commodity structure of trade. The analysis then encounters formidable statistical difficulties because of the complete absence of trade returns for certain countries, the inadequacy and lack of comparability in the commodity and geographic detail provided by other countries, and the changes in price levels and price relationships. These difficulties cannot be fully overcome, and the figures which have been brought together showing the commodity pattern of Europe's trade are necessarily in the nature of estimates.[1]

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[1] The index of the volume of imports into the United Kingdom from overseas countries in 1947 and 1948 may be somewhat too high because the 1938 base figure includes only retained imports, whereas the figures for post-war years include imports of some commodities for re-export. It appears that an adjustment for this factor might reduce the index by not more than 3 points in both years.

The commodity structure of Europe's trade is much too varied to be grasped in all its details. Table 47 provides a very summary view of Europe's trade (calculated in 1938 prices) distributed into three principal commodity groups and further divided into its intra-European and overseas sectors. These commodity groups are examined in more detail in Sections 5 to 7 of this chapter, and later chapters provide a closer analysis of developments in overseas trade and in intra-European trade. In studying Table 47 and other similar computations, it should be kept in mind that the figures on total intra-European trade are, so to speak, two sides of the same coin (since they may be regarded as either exports or imports of all European countries in trade with each other) and thus constitute a common element in both the total exports of European countries and the total imports of European countries.

The General Commodity Pattern

One of the most significant developments in 1948, which is brought out in Table 47, was the recovery of total exports of finished manufactures by European countries to approximately the pre-war level. This is particularly striking since Germany, which before the war accounted for roughly one-third of Europe's exports of finished manufactures, attained in 1948 only about one-tenth of its pre-war volume although with a sharply rising trend during the latter part of the year. Exports of finished manufactures were, moreover, very differently distributed by destination in 1948 compared with 1938. Intra-European trade in these goods was about one-fifth less than in 1938, whereas exports to overseas countries were far above the pre-war level and accounted for 70 per cent of the total rise in exports of

Table 47

EUROPE'S TRADE BY MAJOR GROUPS OF COMMODITIES

Thousand millions of dollars in 1938 f.o.b. prices

Commodity group		Trade with Non-European Countries			Intra-European Trade			Total Trade		
		1938	1947	1948 [a]	1938	1947	1948 [a]	1938	1947	1948 [a]
Food and feeding-stuffs . . .	Imports	2.8	2.4	2.6	1.7	0.7	1.0	4.5	3.1	3.6
	Exports	0.2	0.2	0.2				1.9	0.9	1.2
Industrial materials [b]	Imports	2.4	2.7	2.6	3.2	1.7	2.2	5.6	4.4	4.8
	Exports	1.2	0.6	1.0				4.4	2.3	3.2
Finished manufactures . . .	Imports	0.4	1.2	0.8	2.0	1.4	1.6	2.4	2.6	2.4
	Exports	2.3	2.2	2.7				4.3	3.6	4.3
TOTAL	Imports	5.6	6.3	6.0	6.9	3.8	4.8	12.5	10.1	10.8
	Exports	3.7	3.0	3.9				10.6	6.8	8.7

Source. — Research and Planning Division, Economic Commission for Europe. For details of methods of computation, see Appendix B.

[a] Provisional, based on figures for less than the full year. [b] Including fuel, raw materials and semi-manufactures.

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[1] For methods employed in making the present estimates and more specific qualifications concerning some of the figures, see Appendix B.

finished manufactures by European countries from 1947 to 1948. This shift reflects not so much a re-orientation of exports by individual European countries as the low level of German exports and the rise in exports of the United Kingdom and other countries which have traditionally concentrated on overseas markets.

In contrast with the recovery in manufactured goods, exports of food, fuel, raw materials and semi-manufactures remained very much below the 1938 level, but the absolute gain in shipments of these commodities from 1947 to 1948 was almost double the increase in exports of finished products. This development reflects the marked lessening of the acute shortages of the early post-war period, when countries tended to retain their own production of scarce primary goods for home use and to export finished products of relatively greater value. It is also noteworthy that, although exports of primary goods and semi-manufactures in 1948 were more concentrated on overseas markets than in 1938, the greater part of the increase since 1947 was achieved in the intra-European sector. An even greater degree of recovery might have been achieved in 1948 if intra-European trade in food had not still been limited by the very poor harvest of 1947, whose effects on trade were not yet offset by the better crops of 1948.

The imports of European countries differ sharply in composition from their exports because of the much greater role of food and raw materials in imports; nevertheless, some similarity of development may be observed. Imports of finished manufactures were, in the aggregate, at the same level in 1948 as in 1938, whereas total imports of food and raw materials were markedly lower. In finished manufactures, imports from overseas countries compensated for the lower level of intra-European trade. In food and raw materials, on the other hand, imports from overseas in 1947 and 1948 were near to or slightly above the pre-war levels, but failed to make up for the smaller volume of these goods supplied by European countries to one another.

In summary, European trade in 1948 remained very different in commodity structure from that of 1938, but, compared with 1947, it showed a general tendency to return to the pre-war pattern. The main differences in comparison with pre-war were: the greater relative weight of finished manufactures in exports and in imports, both in trade with overseas countries and in trade among European countries; the relatively lower level of intra-European trade in food and raw materials and the greater dependence on overseas sources for these commodities, which were nevertheless not obtained in sufficient volume to make up for the short-fall in intra-European trade; and, in general, the orientation of trade in all three major commodity groups towards overseas sources for imports and overseas destinations for exports and away from intra-European trade. For the most part, these differences were greater in 1947 than in 1948, the development over this period showing a pronounced increase in trade in European raw materials (both for export to other European countries and for export overseas), a moderate increase in intra-European trade in food, and a small rise in intra-European trade in manufactures contrasted with a fall in imports of such goods from overseas. Compared with exports to overseas countries, however, intra-European trade in manufactures lagged far behind in the general trade recovery from 1947 to 1948.

5. EUROPE'S TRADE IN FOOD

The general characteristics of Europe's trade in food which emerged from the examination of Table 47 were that, in 1948, the volume of intra-European trade was little more than half its pre-war level, but that the volume of exports to and imports from non-European countries was roughly the same as before the war. It will be seen in the following analysis that these overall trends result from widely divergent movements in the trade in individual commodities and in the trade of particular countries. Table 48 gives detailed data on trade

Table 48

THE COMMODITY COMPOSITION OF EUROPE'S TRADE IN FOOD AND FEEDING-STUFFS

Millions of dollars in 1947 typical prices, f.o.b.

Product		Trade with Non-European Countries			Intra-European Trade			Total Trade		
		1938	1947	1948 a	1938	1947	1948 a	1938	1947	1948 a
1. Bread grain . . .	Imports	948	1,421	1,788	352	52	132	1,300	1,473	1,920
	Exports	18	14	8				370	66	140
2. Coarse grain . . .	Imports	721	370	422	158	29	156	879	399	578
	Exports	4	2	8				162	31	164
3. Sugar	Imports	673	559	709	158	89	120	831	648	829
	Exports	82	66	111				240	155	231
4. Potatoes	Imports	6	9	18	42	68	71	48	77	89
	Exports	13	12	15				55	80	86
5. Apples and citrus fruit	Imports	262	135	131	180	83	117	442	218	248
	Exports	2	5	10				182	88	127
6. Horses	Imports	8	2	7	57	72	45	65	74	52
	Exports	2	—	1				59	72	46
7. Meat, including live animals	Imports	580	627	523	344	134	103	924	761	626
	Exports	14	6	6				358	140	109
8. Milk	Imports	9	70	23	36	23	32	45	93	55
	Exports	33	14	16				69	37	48
9. Butter	Imports	179	134	171	279	72	104	458	206	275
	Exports	6	4	7				285	76	111
10. Cheese	Imports	78	130	96	72	22	37	150	152	133
	Exports	21	7	18				93	29	55
11. Eggs	Imports	70	134	70	188	47	73	258	181	143
	Exports	2	3	2				190	50	75
12. Fish	Imports	45	27	12	321	300	383	366	327	395
	Exports	24	42	44				345	342	427
13. Oilseeds and nuts .	Imports	1,575	539	598	26	6	5	1,601	545	603
	Exports	9	—	1				35	6	6
14. Animal and vegetable fats and oils	Imports	376	446	462	353	66	111	729	512	573
	Exports.	92	30	29				445	96	140
15. Oilcake	Imports	208	117	154	53	4	10	261	121	164
	Exports	—	1	—				53	5	10
16. Coffee	Imports	370	196	208	5	3	5	375	199	213
	Exports	1	—	—				6	3	5
17. Tea	Imports	247	194	210	—	—	—	247	194	210
	Exports	—	—	—				—	—	—
18. Tobacco	Imports	349	357	250	169	85	105	518	442	355
	Exports	60	73	57				229	158	162
19. Wine	Imports	420	189	265	93	37	48	513	226	313
	Exports	22	27	25				115	64	73
20. Spirits	Imports	33	82	51	19	24	27	52	106	78
	Exports	46	49	51				65	73	78
21. Other food and feeding-stuffs . . .	Imports	785	756	973	956	503	649	1,741	1,259	1,622
	Exports	163	100	128				1,119	603	777
Total	Imports	7,942	6,494	7,141	3,861	1,719	2,333	11,803	8,213	9,474
	Exports	614	455	537				4,475	2,174	2,870

Source. — Research and Planning Division, Economic Commission for Europe. For details of the methods of computation, see Appendix B.

a Provisional, based on figures for less than the full year in most instances.

in twenty-one commodities or commodity groups, distributed between the intra-European and overseas sectors. The values in this table have been computed by applying typical 1947 prices to the quantities reported in national trade statistics, irrespective of differences in the price or quality of commodities in particular instances from those here selected as typical. This procedure makes it possible to compare the relative importance of trade in different products and by different countries, but it means that the figures in Table 48 are not necessarily identical with the sum of the values reported in national trade statistics.[1]

The General Pattern of Trade in Food

Before the war, approximately two-thirds of the total food imports of European countries were supplied from overseas and one-third from European exporting countries. To a considerable extent, imports from overseas consisted of goods not produced in Europe or produced in relatively small amounts or in varieties different from those obtained from overseas. Oilseeds and fats and oils were the most important examples, alone accounting for one-fourth of total food imports from non-European countries, and tea, coffee, cocoa and tobacco were other major products of this sort. Foodstuffs from overseas also included, however, large amounts of competitive products of which European countries themselves were important suppliers, such as grain, sugar, meat, butter, cheese, eggs, and fruit and vegetables. Fish was the most important item drawn predominantly from European sources, and butter and eggs were also imported principally from European sources. Europe's exports of foodstuffs to overseas countries were small and spread among a variety of items, including tobacco, wines and spirits, whale oil and various other items, none of which were of dominant importance.

Table 49 indicates that, in 1948, the proportion of Europe's food imports drawn from overseas sources had increased to about three-quarters, not because of an increase in the aggregate amount of such imports, but because of the relatively greater decline in intra-European trade in food. In general, imports of products typically obtained exclusively or predominantly from overseas were, in 1948, lower than before the war. This is partly attributable to restrictions imposed on consumption, as in the case of coffee, tea and tobacco, and partly to world shortages and high prices, as in the case of fats and oils. On the other hand, in products previously obtained largely from within Europe, imports from overseas in 1948 tended to be near to or, in some instances, well above the pre-war volume, but total supplies imported into European countries were smaller than before the war because of the fall in intra-European trade.

As may be seen from the summary analysis given in Table 49, grain was the only item in which total imports in 1948 were higher than before the war. This increase was chiefly concentrated on imports of bread grain from overseas countries, which were very much larger in 1948 than in 1947 because of the poor European harvests of that year. There was, however, a recovery in intra-European trade in coarse grain to about the pre-war level in 1948, mainly as a result of large exports from the U.S.S.R. to other European countries, but total receipts of coarse grain by European countries were equal to only two-thirds of the pre-war amount because of the low level of imports from overseas countries.

Although imports in most of the other summary groups shown in Table 49 remained very low in 1948, ranging from one-half to three-quarters of the pre-war volume, it was only in meat and dairy products that a further definite decline occurred during the past year.

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[1] See Appendix B for further details on the method of deriving the estimates in Table 48. Apart from the problems involved in showing the data in constant 1947 prices, reservation must be expressed as to the accuracy of the estimates for products in which the U.S.S.R. and Yugoslavia are important as exporters or importers in view of the complete absence of information on the foreign trade of these countries, except as revealed in the trade returns published by other countries with which their trade is conducted. For this reason it is particularly difficult to estimate both the total volume of trade in grain and its distribution between bread grain and coarse grain.

This decline appears to be a reflection of the austerity policy enforced in a number of European countries and the necessity for using a greater proportion of the foreign exchange available for food purchases to procure indispensable supplies of grain and other basic foods. Supplies of meat and dairy products obtained from European sources, which considerably exceeded overseas supplies in relative importance before the war, increased moderately in 1948 but remained at only some 60 per cent of the pre-war level, partly because of the unfavourable effect of high grain prices on European pig production.

Table 49

EUROPE'S IMPORTS OF FOOD AND FEEDING-STUFFS BY PRINCIPAL GROUPS OF COMMODITIES AND BY ORIGIN

Millions of dollars in 1947 typical prices, f.o.b.

Commodity group	Millions of dollars			Index numbers *(1938=100)*	
	1938	1947	1948 [a]	1947	1948
Grain :					
Imports from non-European countries	1,669	1,791	2,210	107	132
Intra-European trade	510	81	288	16	56
Total imports	2,179	1,872	2,498	86	115
Other vegetable food : [b]					
Imports from non-European countries	1,726	1,459	1,831	85	106
Intra-European trade	1,336	743	957	56	72
Total imports	3,062	2,202	2,788	72	91
Meat and dairy products : [c]					
Imports from non-European countries	969	1,124	902	116	93
Intra-European trade	1,297	670	777	52	60
Total imports	2,266	1,794	1,679	79	74
Fats and oils : [d]					
Imports from non-European countries	2,159	1,102	1,214	51	56
Intra-European trade	432	76	126	18	29
Total imports	2,591	1,178	1,340	45	52
Beverages and tobacco :					
Imports from non-European countries	1,419	1,018	984	72	69
Intra-European trade	286	149	185	52	65
Total imports	1,705	1,167	1,169	68	69
Total food and feeding-stuffs :					
Imports from non-European countries	7,942	6,494	7,141	82	90
Intra-European trade	3,861	1,719	2,333	45	60
Total imports	11,803	8,213	9,474	70	80

NOTES. — The figures are derived from Table 48.

In order to arrive at the commodity groups shown here, the items in Table 48 have been grouped as follows :

"Grain" comprises items 1 and 2.

"Other vegetable foods" comprise items 3 to 5 and 21.

"Meat and dairy products" comprise items 6 to 12.

"Fats and oils" comprise items 13 to 15.

"Beverages and tobacco" comprise items 16 to 20.

[a] Provisional, based on figures for less than the full year.

[b] Including miscellaneous non-vegetable food products.

[c] Including live animals, fish and eggs.

[d] Excluding butter.

Food Imports by Principal Countries

As already indicated, the overall movements in food imports conceal important divergences in the imports of individual countries. Grain was again something of an exception, as Table 50 shows, in that the increase in imports in 1948, as compared with 1947 and 1938, was comparatively general and took place in most of the major European importing countries, although even in this instance imports of the United Kingdom and the Netherlands remained about one-fifth below the 1938 level.

The divergence of the trends comes out more sharply in imports of other vegetable foods. Imports into France increased sharply from 1947 to 1948 and were virtually restored to their pre-war level, and imports into Italy and Czechoslovakia were substantially larger than before the war. The United Kingdom's imports of other vegetable foods, on the other hand, remained smaller in 1948 than in 1938, chiefly because of lower imports of sugar and apples, and imports into the Netherlands were even further below the pre-war level, although in both instances there was an increase compared with 1947. Germany's imports of vegetable foods other than grain had been negligible in 1947 (although complete data for that year are not available), but the aggregate value of such imports rose in 1948 to 84 per cent of the pre-war volume. This recovery was more apparent than real, resulting from two sharply opposed movements. Germany's imports of potatoes greatly increased because of the dependence of Western Germany on outside sources in place of the supplies formerly received from Eastern Germany, and imports of sugar into Germany from other countries increased by some $100 million for the same reason. On the other hand, Germany's imports of fresh and preserved fruits and of vegetables, cocoa and other miscellaneous vegetable products were less than half their pre-war volume.

In meat and dairy products, the decline in Europe's imports from 1938 to 1948 is almost entirely accounted for by the United Kingdom and Germany. The United Kingdom, which alone accounted before the war for two-thirds of Europe's total imports of commodities in this group, took much less of all such products except fish in 1948 and in most instances less also than in 1947. Fish was likewise the only item in the group in which Germany's imports in 1948 were larger than before the war. Imports of commodities which were previously as important as butter, cheese and eggs were negligible, and imports of meat were equal only to one-fifth of the 1938 quantity.

Imports of fats and oils were, in most instances, less in 1948 than in 1938 but greater than in 1947, although the distribution of the available supplies among European importing countries changed greatly. The United Kingdom, which accounted for approximately 28 per cent of Europe's imports of fats and oils in 1938, increased its share to more than 40 per cent in 1947 and 1948, total imports into the United Kingdom recovering to about four-fifths of the pre-war volume. At the other extreme, Germany's imports of fats and oils in 1948 were about one-fifth of the 1938 amount and accounted for one-third of the total decline. Imports of other European countries were reduced almost as much and for the most part they did not exceed 50 per cent of pre-war. The decline in imported supplies of oilseeds and oilcakes, together with the very high prices charged for these products, had a particularly severe effect on the major suppliers of dairy produce, such as Denmark and the Netherlands, whose exports of butter and other milk products were correspondingly reduced.

Most countries have also reduced their imports of beverages and tobacco, but here again the reduction has been unevenly distributed. Almost half of the decrease is accounted for by Germany, whose imports of these items were negligible in 1948. The greater part of the remainder is accounted for by France, to some extent as a result of rationing or other restrictions on consumption of coffee and tobacco, but mainly because of the reduced supplies of wine available from the French territories in North Africa since the war. While France is an exporter of

Table 50

EUROPE'S IMPORTS OF FOOD AND FEEDING-STUFFS BY GROUPS OF COMMODITIES AND BY PRINCIPAL EUROPEAN IMPORTING COUNTRIES

Millions of dollars in 1947 typical prices, f.o.b.

Commodity group and importing country	Millions of dollars			Index numbers (1938=100)	
	1938	1947	1948 [a]	1947	1948 [a]
Grain :					
United Kingdom	832	570	686	69	82
France	118	116	168	98	142
Netherlands	164	99	131	60	80
Italy	39	199	285	510	731
Germany	318	405	460	127	145
Czechoslovakia	32	10	65	31	203
Other European countries	676	473	703	70	104
Total imports	2,179	1,872	2,498	86	115
Other vegetable food : [b]					
United Kingdom	1,283	1,023	1,116	80	87
France	448	275	436	61	97
Netherlands	165	62	99	38	60
Italy	52	39	98	75	188
Germany	367	19	308	5	84
Czechoslovakia	39	42	56	108	144
Other European countries	708	742	675	105	95
Total imports	3,062	2,202	2,788	72	91
Meat and dairy products : [c]					
United Kingdom	1,436	1,223	1,021	85	71
France	88	98	66	111	75
Netherlands	21	18	20	86	95
Italy	62	58	53	94	85
Germany	353	30	142	8	40
Czechoslovakia	25	23	63	92	252
Other European countries	281	344	314	122	112
Total imports	2,266	1,794	1,679	79	74
Fats and oils : [d]					
United Kingdom	733	532	583	73	80
France	358	181	187	51	52
Netherlands	202	84	104	42	51
Italy	92	31	30	34	33
Denmark	187	42	57	22	30
Germany	540	76	114	14	21
Czechoslovakia	61	31	35	51	57
Other European countries	418	201	230	49	55
Total imports	2,591	1,178	1,340	45	52
Beverages and tobacco :					
United Kingdom	437	397	412	91	94
France	605	327	350	54	58
Netherlands	87	65	42	75	48
Italy	26	35	39	135	150
Germany	261	2	14	1	5
Czechoslovakia	20	33	18	165	90
Other European countries	269	308	294	114	109
Total imports	1,705	1,167	1,169	68	68
TOTAL FOOD AND FEEDING-STUFFS	11,803	8,213	9,474	70	80

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

NOTE. — The commodity groups shown here comprise the same items as those which are specified in the notes to Table 49.

[a] Provisional, based on figures for less than the full year.

[b] Including miscellaneous non-vegetable food products.

[c] Including live animals, fish and eggs.

[d] Excluding butter.

Table 51

EUROPE'S EXPORTS OF FOOD AND FEEDING-STUFFS BY GROUPS OF COMMODITIES AND BY PRINCIPAL EUROPEAN EXPORTING COUNTRIES

Millions of dollars in 1947 typical prices, f.o.b.

Commodity group and exporting country	Millions of dollars			Index numbers (1938=100)	
	1938	1947	1948 [a]	1947	1948 [a]
Grain :					
Eastern Europe including U.S.S.R.	420	25	244	6	58
Other European countries . . .	112	72	60	65	54
Total exports	532	97	304	18	57
Other vegetable food : [b]					
United Kingdom.	159	99	206	62	129
France	187	95	141	51	75
Netherlands	174	161	204	93	117
Italy	407	116	244	28	60
Denmark	25	55	53	220	212
Czechoslovakia.	63	65	42	103	67
Other European countries . . .	581	335	331	58	57
Total exports	1,596	926	1,221	58	77
Meat and dairy products : [c]					
United Kingdom.	86	26	39	30	45
Ireland	143	83	80	58	56
France	38	17	19	45	50
Netherlands	269	90	130	33	48
Italy	23	1	5	4	22
Denmark	325	222	212	68	65
Norway	101	127	160	126	159
Other European countries . . .	414	180	226	43	55
Total exports	1,399	746	871	53	62
Fats and oils : [d]					
United Kingdom.	60	9	15	15	25
France	62	4	5	6	8
Netherlands	140	12	24	8	17
Italy	17	1	14	6	82
Denmark	53	10	8	19	15
Norway	49	32	33	65	67
Other European countries . . .	152	39	57	26	38
Total exports	533	107	156	20	29
Beverages and tobacco :					
United Kingdom.	61	63	63	103	103
France	46	35	41	76	89
Italy	58	14	17	24	29
Greece	75	26	37	35	49
Turkey	57	56	47	98	82
Bulgaria.	43	43	43	100	100
Other European countries . . .	75	61	70	81	93
Total exports	415	298	318	72	77
TOTAL FOOD AND FEEDING-STUFFS	4,475	2,174	2,870	48	64

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

NOTE. — The commodity groups shown here comprise the same items as those which are specified in the notes to Table 49.

[a] Provisional, based on figures for less than the full year.

[b] Including miscellaneous non-vegetable food products.

[c] Including live animals, fish and eggs.

[d] Excluding butter.

fine wines in moderate quantities, it is also the world's largest importer of wine and takes four-fifths of all the wine imported by European countries. Italy's imports of coffee and tobacco showed a substantial increase in 1947 and 1948 compared with 1938, although its imports were on a relatively small scale compared with other European countries.

The increase in the United Kingdom's imports of coffee in 1948 provides an interesting illustration of the effects of rationing in diverting consumers' demand to unrestricted items. As a result of rationing, the United Kingdom held imports of tea in 1948 (in which it formerly accounted for 85 to 90 per cent of the European total) at a level approximately 10 per cent lower than in 1938. On the other hand, imports of coffee, a traditionally small item in British consumption and one that has never been rationed, increased to three and a half times the 1938 level and reached a value of some $25 million in 1948.

Food Exports by European Countries

Table 51 provides summary figures on food exports to all destinations by groups of commodities and by individual European exporting countries. In virtually all instances, food exports in 1948 remained substantially lower than before the war, the principal exceptions being increases by the United Kingdom, the Netherlands and Denmark in exports of non-grain vegetable foods, by Norway and Iceland in exports of fish, and by the United Kingdom in exports of tobacco manufactures. In most instances there were also moderate increases from 1947 to 1948, a notable exception being a decline in meat exports from Denmark.

In the case of grain exports, Eastern European countries, particularly the U.S.S.R., accounted for the whole of the increase from 1947 to 1948, but, because of the inadequacy of the available statistics, the margin of error surrounding these figures is too great to permit more detailed presentation and analysis.

6. Europe's Trade in Industrial Materials

European trade in thirty major types of raw materials and semi-manufactures is shown in Table 52. These estimates have been obtained, like those for food, by applying typical 1947 prices to the quantity figures derived from national trade statistics, and they are subject to the same qualifications as the figures in the food tables.[1]

Because of the lack of complete and comparable data in the underlying sources, it has not been possible to include figures for certain materials, of which chemicals are the most important, in Table 52. It therefore fails to bring out, as do the more comprehensive but less detailed figures already given in Table 47, the fact that before the war well over half of the total imports of industrial materials of European countries were supplied from European sources. Since the war, as was previously observed, the relative dependence of European countries on overseas sources has greatly increased, more than half their total imports of industrial materials still being obtained from non-European countries in 1948.

To an even greater extent than imports of food, Europe's overseas imports of industrial materials were concentrated before the war on goods which were produced in only relatively small amounts or not at all in Europe. These included the principal natural textile fibres : wool, cotton and jute ; petroleum, rubber, and hides and skins ; and most of the non-ferrous ores and metals. Timber was the only major product obtained, in more or less comparable amounts, from both European and non-European sources.

Of the imports obtained through intra-European trade, products supplied in the form of raw materials were relatively few in number. Coal and timber were by far the most important, and the other principal raw materials were iron ore, other ores, hemp and flax, and hides and skins. Most of the other industrial materials obtained from within Europe fall into two groups : semi-manufactures produced chiefly from European resources, including iron

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[1] See Appendix B for further details.

Table 52

THE COMMODITY COMPOSITION OF EUROPE'S TRADE IN INDUSTRIAL MATERIALS

Millions of dollars in 1947 typical prices, f.o.b.

Product		Trade with Non-European Countries			Intra-European Trade			Total Trade		
		1938	1947	1948 a	1938	1947	1948 a	1938	1947	1948 a
1. Coal and coke . .	Imports	4	400	201	1,150	507	879	1,154	907	1,080
	Exports	193	18	29				1,343	525	908
2. Mineral oil	Imports	713	832	973	142	99	106	855	931	1,079
	Exports	4	—	10				146	99	116
3. Iron ore	Imports	40	25	28	164	79	99	204	104	127
	Exports	1	6	6				165	85	105
4. Bauxite	Imports	2	—	—	13	3	5	15	3	5
	Exports	—	—	—				13	3	5
5. Pyrites	Imports	1	1	4	21	11	12	22	12	16
	Exports	3	1	1				24	12	13
6. Other ores	Imports	268	154	225	193	59	77	461	213	302
	Exports	8	40	45				201	99	122
7. Pig iron and ferro-alloys	Imports	17	29	60	120	63	67	137	92	127
	Exports	15	8	18				135	71	85
8. Scrap	Imports	41	9	6	35	15	43	76	24	49
	Exports	—	—	8				35	15	51
9. Crude steel	Imports	14	31	12	40	6	18	54	37	30
	Exports	14	5	11				54	11	29
10. Finished steel . .	Imports	52	203	133	514	373	483	566	576	616
	Exports	568	232	424				1,082	605	907
11. Copper	Imports	435	368	316	120	71	83	555	439	399
	Exports	28	10	10				148	81	93
12. Lead	Imports	170	107	75	35	12	26	205	119	101
	Exports	1	—	7				36	12	33
13. Zinc	Imports	38	58	52	66	24	34	104	82	86
	Exports	8	2	4				74	26	38
14. Tin	Imports	29	21	10	64	19	25	93	40	35
	Exports	15	18	22				79	37	47
15. Aluminium	Imports	14	46	60	21	22	35	35	68	95
	Exports	15	2	7				36	24	42
16. Cement.	Imports	—	—	—	22	10	16	22	10	16
	Exports	44	46	65				66	56	81
17. Timber	Imports	473	425	314	724	357	402	1,197	782	716
	Exports	63	38	40				787	395	442
18. Wood-pulp	Imports	12	22	66	334	216	228	346	238	294
	Exports	226	125	125				560	341	353
19. Raw wool	Imports	658	621	577	153	84	76	811	705	653
	Exports	—	—	—				153	84	76
20. Raw cotton. . . .	Imports	1,213	869	840	71	18	23	1,284	887	863
	Exports	—	—	—				71	18	23

Table 52 *(continued)*

THE COMMODITY COMPOSITION OF EUROPE'S TRADE IN INDUSTRIAL MATERIALS

Millions of dollars in 1947 typical prices, f.o.b.

Product		Trade with Non-European Countries			Intra-European Trade			Total Trade		
		1938	1947	1948 a	1938	1947	1948 a	1938	1947	1948 a
21. Jute	Imports	152	71	97	4	1	1	156	72	98
	Exports	—	—	—				4	1	1
22. Hemp and flax	Imports	122	71	61	223	132	107	345	203	168
	Exports	2	8	36				225	140	143
23. Wool yarn	Imports	—	5	13	156	104	100	156	109	113
	Exports	29	28	32				185	132	132
24. Cotton yarn	Imports	—	35	16	191	56	81	191	91	97
	Exports	68	35	70				259	91	151
25. Silk yarn and yarn of artificial fibre	Imports	—	2	1	144	74	87	144	76	88
	Exports	154	68	249				298	142	336
26. Other textile yarn	Imports	14	20	33	47	25	28	61	45	61
	Exports	19	4	5				66	29	33
27. Hides and skins	Imports	345	344	362	192	20	21	537	364	383
	Exports	26	24	9				218	44	30
28. Rubber	Imports	207	175	268	16	20	17	223	195	285
	Exports	—	1	1				16	21	18
29. Sulphur	Imports	11	21	19	9	4	5	20	25	24
	Exports	1	—	—				10	4	5
30. Fertilizers	Imports	66	161	141	142	74	107	208	235	248
	Exports	20	17	22				162	91	129
TOTAL	Imports	5,111	5,126	4,963	5,126	2,558	3,291	10,237	7,684	8,254
	Exports	1,525	736	1,256				6,651	3,294	4,547

Source. — Research and Planning Division, Economic Commission for Europe. For details of the methods of computation, see Appendix B.

a Provisional, based on figures for less than the full year in most instances.

and steel, wood-pulp, fertilizers, and silk and rayon yarn; and semi-manufactures produced from imported raw materials, of which cotton and wool yarn were the most important.

Europe's exports of industrial materials to overseas countries, although much greater in amount than exports of food, were more narrowly concentrated in a few major items, principally steel, coal, wood-pulp and yarn.[1]

The most typical feature of Europe's post-war trade in raw materials is the generally lower level to which trade has fallen, compared with pre-war, in virtually all branches but particularly in intra-European trade. Two relatively small items—scrap and aluminium—were the only products in which intra-European trade was significantly higher in 1948 than in 1938. Apart from the extraordinary imports of coal, increases over the pre-war volume of imports from overseas were limited to petroleum, pig iron, finished steel, aluminium, rubber and fertilizers. Imports of most other industrial materials, whether from European or non-European sources, were markedly lower in 1948 than before the war. Moreover, in several important instances, including non-ferrous ores and metals, timber, wool and cotton, imports in 1948 were also lower than in 1947.

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[1] Exports of chemicals to overseas were also of major importance, although for reasons stated above they are not included in Table 52.

In view of the decreased supplies of industrial materials in Europe, it is not surprising that Europe's total post-war exports of these commodities to overseas countries should also have declined. It is rather more surprising that the principal decreases in exports should have been limited to coal, finished steel and wood-pulp, and that exports of various other items in extremely short supply in Europe should have risen above the pre-war level. Moreover, the greater part of the increase in exports of finished steel and yarn from 1947 to 1948 went to overseas markets. In these instances, the overseas export drive in industrial materials, although important in reducing Europe's balance of payments deficit with overseas countries, would appear to have conflicted with the recovery of intra-European trade.

Trade of Principal Countries

Table 53, in which Europe's imports of industrial materials are grouped into a few principal categories, also shows to what extent the behaviour of total European imports of industrial materials has been influenced by the low level of imports into Germany. Of the six commodity groups shown in this table, mineral oil was the only one in which total imports into Europe as a whole reached or exceeded the pre-war level. If Germany is excluded, however, imports of ores and metals recovered to the pre-war volume in 1948, and imports of " other industrial materials " substantially exceeded the pre-war level. In the case of countries other than Germany, virtually the whole of the decline in imports of industrial materials was concentrated in two groups: timber and wood-pulp, and materials for the textile industry.

In the case of fuel, Germany's imports of petroleum products were about one-third of their pre-war level in 1948, but its imports of coal have increased considerably owing to the post-war shifting of frontiers, Germany's coal imports now including supplies received from the Saar and Lower Silesia. For the rest of Europe, aggregate coal imports were about 10 per cent lower in 1948 than in 1938, whereas petroleum imports were more than 40 per cent higher. The decline in coal imports is accounted for chiefly by France, the Netherlands and Italy, while the rise in imports of petroleum has occurred principally in the United Kingdom, Belgium and Sweden, all of which have significantly increased their consumption of petroleum in industry and agriculture.

Germany's position in the European timber trade has also changed drastically. In 1938 it was the second largest timber importer; in 1948 it had become, for the time being, the second or third largest exporter. Chiefly on account of supplies obtained from Germany, France (almost alone among European countries) imported more timber in 1948 than before the war.

While Germany is an altogether exceptional case, considerable differences have also emerged in the relative levels of exports and imports of industrial materials by other European countries. For instance, as indicated in Table 54, Switzerland and Sweden imported much more in both 1947 and 1948 than before the war, whereas the imports of most other big industrial countries in Europe were considerably below the pre-war level.

The relatively low volume of industrial materials imported by the United Kingdom is due chiefly to the fall in imports of timber and of cotton and wool. As in most other European countries, the reduction in timber imports was the result of the world shortage of timber. The reduction in textile materials, on the other hand, partly reflects the particular difficulties of recruiting workers for the cotton industry in the United Kingdom.

The fall in imports of textile materials was also chiefly responsible for the fall in the total volume of industrial materials imported into Belgium, France and the Netherlands, compared with pre-war. In addition, Belgium also imported a smaller quantity of ores and metals than before the war, and the decrease in France and the Netherlands was partly

Table 53

EUROPE'S IMPORTS OF INDUSTRIAL MATERIALS BY PRINCIPAL GROUPS OF COMMODITIES AND BY ORIGIN

Millions of dollars in 1947 typical prices, f.o.b.

Commodity Group	Millions of dollars			Index numbers *(1938=100)*	
	1938	1947	1948[a]	1947	1948[a]
I. Fuel					
Coal :					
Imports from non-European countries	4	400	201		
Intra-European trade	1,150	507	879	44	76
Total imports	1,154	907	1,080	79	94
Total imports excluding Germany	1,063	838	937	79	88
Mineral oil :					
Imports from non-European countries	713	832	973	117	136
Intra-European trade	142	99	106	70	75
Total imports	855	931	1,079	109	126
Total imports excluding Germany	741	905	1,043	122	141
Total fuel :					
Imports from non-European countries	717	1,232	1,174	172	164
Intra-European trade	1,292	606	985	47	76
Total imports	2,009	1,838	2,159	91	107
Total imports excluding Germany	1,804	1,743	1,980	97	110
II. Raw Materials and semi-manufactures					
Ores and metals : [b]					
Imports from non-European countries	1,121	1,052	981	94	88
Intra-European trade	1,406	757	1,007	54	72
Total imports	2,527	1,809	1,988	72	79
Total imports excluding Germany	1,886	1,795	1,882	95	100
Timber and wood-pulp :					
Imports from non-European countries	485	447	380	92	78
Intra-European trade	1,058	573	630	54	60
Total imports	1,543	1,020	1,010	66	65
Total imports excluding Germany	1,364	1,014	993	74	73
Textile raw materials and yarns :					
Imports from non-European countries	2,159	1,694	1,638	78	76
Intra-European trade	989	494	503	50	51
Total imports	3,148	2,188	2,141	70	68
Total imports excluding Germany	2,595	2,108	2,008	81	77
Other industrial materials :					
Imports from non-European countries	629	701	790	111	126
Intra-European trade	381	128	166	34	44
Total imports	1,010	829	956	82	95
Total imports excluding Germany	808	789	887	98	110
Total industrial materials, excluding fuel :					
Imports from non-European countries	4,394	3,894	3,789	89	86
Intra-European trade	3,834	1,952	2,306	51	60
Total imports	8,228	5,846	6,095	71	74
Total imports excluding Germany	6,652	5,706	5,775	86	87

NOTES. — The figures are derived from the data used in Table 52.

In order to arrive at the commodity groups shown here, the items in Table 52 have been grouped as follows :

"Coal" comprises item 1.
"Mineral oil" comprises item 2.
"Ores and metals" comprise items 3 to 15.
"Timber and wood-pulp" comprise items 17 to 18.
"Textile raw materials and yarns" comprise items 19 to 26.
"Other industrial materials" comprise items 16, 27 to 30.

[a] Provisional, based on figures for less than the full year.

[b] Including finished steel.

Table 54

TRADE IN INDUSTRIAL MATERIALS OF PRINCIPAL EUROPEAN COUNTRIES

Index numbers — 1938 = 100

Country	IMPORTS			EXPORTS		
	1938	1947	1948 [a]	1938	1947	1948 [a]
	Thousand millions of dollars in 1947 prices	*Index numbers (1938=100)*	*Index numbers (1938=100)*	Thousand millions of dollars in 1947 prices	*Index numbers (1938=100)*	*Index numbers (1938=100)*
United Kingdom	2.6	82	91	1.1	40 [b]	57 [b]
France	1.3	91	91	0.7	44	69
Netherlands	0.6	79	91	0.2	43	63
Belgium	1.0	80	74	0.9	73	99
Switzerland	0.2	141	142	0.1	42	53
Italy	0.6	112	86	0.3	47	88
Sweden	0.4	116	120	0.6	69	66
Germany [c]	1.8	13	28	0.9	27	45
Czechoslovakia	0.3	69	85	0.2	39	44
Other European countries	1.4	85	99	1.7	54	75
TOTAL Europe						
including Germany	10.2	75	81	6.7	50	68
excluding Germany	8.4	88	92	5.8	53	72

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] Provisional, based on figures for less than the full year in most instances.

[b] If coal is excluded, the indices are 72 for 1947 and 79 for 1948.

[c] The coverage of these figures is incomplete.

due to the reduction in coal imports mentioned above.

Although their imports of industrial materials decreased from 1947 to 1948, exports of industrial materials by Belgium and Italy increased faster and came nearer to their pre-war level than those of any other European country. Internal economic developments in these two countries appear to have led both to a decline in imports of raw materials and to an increase in semi-manufactures available for export. Sweden stands out as the only country whose exports of industrial materials remained extremely low and failed to register any increase between 1947 and 1948, the decline being caused by the reduced volume of exports of forest products.

In most countries, exports of industrial materials in 1948 were relatively lower in relation to pre-war than the total volume of their exports of all types of goods. The opposite is true, however, in two of the most heavily industrialized countries, Belgium and Germany. The shift in Germany was particularly marked, exports of industrial materials in 1948 being estimated at about 45 per cent of the 1938 level against less than 20 per cent for total exports.

Imports and Industrial Production

One of the most remarkable features of post-war economic development in Europe is the considerable lag in imports of industrial materials compared with industrial production. Table 55 provides a comparison of the relationship between imports of industrial materials and production, both for industry as a whole and for two principal industrial branches—namely, the textile industry and the metals and engineering industry. It is clear that between 1938 and 1947 production rose much faster than imports of raw materials both in industry as a whole and in the textiles

Table 55

EUROPE'S INDUSTRIAL PRODUCTION IN RELATION TO IMPORTS OF INDUSTRIAL MATERIALS

Index numbers — 1938 = 100

Commodity group	Production		Imports of industrial materials		Ratio of production to imports	
	1947	1948 [a]	1947	1948 [a]	1947	1948 [a]
Total	83	96	75	81	111	119
Textiles	72	86	70	68	103	126
Ores and metals	75	91	72	79	104	115

NOTES. — The figures are derived from Tables 1, 5, 10, 53 and 54.

The figures in each commodity group include the following :

" Total " comprise total industrial production and total imports of industrial materials.

" Textiles " comprise textile production and imports of textile raw materials and yarns.

" Ores and metals " comprise metals and engineering production and imports of ores and metals.

[a] Provisional, based on figures for less than the full year.

and metals and engineering industries, and that this divergence of the trends increased from 1947 to 1948.[1]

This general trend for the area as a whole was typical of the relationship between production and imports in most of the larger industrial countries in Europe. Out of forty-two separate comparisons made (covering all industries, as well as the textile industry and metals and engineering industry separately, for seven leading industrial countries in both 1947 and 1948 as compared with 1938), there were only seven instances, two of which were wholly minor, where imports of industrial materials failed to decline or actually increased in relation to production. One of these cases was France, where imports of ores and metals in 1947 were relatively higher, compared with pre-war, than the output of the metals and engineering industry, although in 1948 the increase over 1938 was about the same in both the imports and the production of this industry. All of the other principal discrepancies concerned Italy. Italian imports of textile materials in 1947 were about 70 per cent higher than in 1938, whereas textile production was 23 per cent less, but here also the discrepancy was reduced in 1948 owing to a heavy fall in Italy's imports of textile materials. The explanation of this deviation from the general trend appears to be that Italian inflation in 1947 led to a considerable hoarding of raw materials and therefore to imports in excess of the amounts required for current production.[1] In 1948, on the other hand, a similar divergence was to be observed in the Italian metals and engineering industry, where imports rose much more than production.

Three principal factors appear to explain the ability of European industry to increase production faster than imports of industrial materials. One of these is the increased use of home-produced materials, including waste materials and scrap, in place of imported materials. A second and somewhat related factor is the tendency for some countries which are producers of raw materials to use them in home production instead of for export, a development which reduces the volume of raw materials exchanged among such countries in relation to their industrial production.[2] Thirdly, during the war, habits of greater economy in the use of raw materials in industry inevitably developed, and this tendency has undoubtedly persisted during the post-war period of shortages. In addition, in some cases there may have been, in 1948, a drawing-down of stocks of raw materials in anticipation of a possible decline in prices.

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[1] The further spread from 1947 to 1948 may be somewhat overstated. If imports of industrial materials are expressed in 1938 prices, as in Table 47, instead of in 1947 prices as in Table 52, the ratio of the production index to the import index would be unchanged for 1947 but would be about 112 instead of 120 for 1948.

[1] *Cf.* the discussion of monetary developments in Italy in Chapter 2.

[2] As one illustration, intra-European trade in hides and skins is normally differentiated according to types and qualities. Under the stress of general shortages, countries have tended to retain and process their own hides and skins, which may have some adverse effects on the quality of production but does not cause the volume to fall in accordance with the reduction in trade.

7. Europe's Trade in Manufactures

It has already been shown in the discussion of Table 47 that total imports and exports of finished manufactures by European countries were restored to pre-war levels by 1948, but that intra-European trade played a much smaller role in the total than before the war. The moderate rise in intra-European trade from 1947 to 1948 did, however, serve to lessen somewhat the dependence on imports from overseas, but the greater part of the increase in exports of manufactures by European countries was accounted for by sales to non-European countries.

The development of Europe's post-war trade in manufactures is shown in much fuller commodity detail in Table 56.[1] To bring out the trends more clearly, the figures are presented separately for 1947 (shown on a half-yearly basis) and for January-June and July-December 1948. The average time interval is thus nine months from the first to the second period and only six months from the second to the third period, a difference which must be taken into account in comparing the rates of increase or decrease. Because of the highly complex composition of finished manufactures, no attempt has been made to convert the data from current to constant prices, as in the tables presented on foodstuffs and industrial materials. The relatively moderate changes in prices of finished manufactures in 1947 and 1948 would not, however, greatly affect the comparability of the data.[2]

Upon inspection of the figures in Table 56 the following main trends clearly emerge :

(1) The decline in imports from non-European countries from 1947 to 1948 was characteristic of the movement of almost all of the thirty-six groups of manufactures covered by the table, the exceptions being few and small in size (textile machinery and tractors, for example) ;

(2) Similarly, the increase in European exports of manufactures to overseas countries was likewise characteristic of the movement of virtually all the groups of manufactures, the only exceptions again being minor (aeroplanes, silk tissues and wood manufactures) ;

(3) In intra-European trade the situation was far more complex : out of the entire list, nineteen items showed definite increases, nine remained more or less constant and eight others showed pronounced declines.

Trade in Essentials and Non-essentials

These divergences in intra-European trade correspond to the widely differing trends that trade in manufactures has followed according to the greater or lesser degree of essentiality of the products concerned. These trends are further analysed in Table 57, which classifies manufactures, both in trade within Europe and in trade with overseas countries, in three major groups. The first group includes all the manufactured goods most essential to reconstruction and development, such as machinery, tractors and other capital equipment items, as well as colours, dyes, varnishes and pharmaceuticals. At the other extreme, the third group includes commodities which may be regarded as non-essential from the point of view of European reconstruction and development, such as personal cars, silk tissues and cosmetics. The middle group includes commodities of an intermediate character, such as paper, bicycles, and cotton and wool tissues, and also certain commodity groups which comprise both highly essential articles and luxuries.[1] The classification of particular items may be questioned

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[1] It has not been possible to prepare comparable details for 1938 to serve as a pre-war basis of comparison.

[2] The figures necessarily have an approximate character in view of the lack of complete comparability between the classifications employed by different countries and in view of the scanty information available for certain European countries, especially the U.S.S.R., Yugoslavia and Rumania, as well as the French and Russian Zones of Germany. The trade not covered in the table, however, would be only a very small part of intra-European trade in manufactures. For further details see Appendix B.

[1] For example, item 10 (Instruments and watches) includes both scientific and medical instruments and luxury goods such as expensive watches and musical instruments ; and item 32 (Glass and manufactures thereof) includes window glass, mirrors and also elaborate glassware.

Table 56

THE COMMODITY COMPOSITION OF EUROPE'S TRADE IN MANUFACTURES

Millions of dollars in current f.o.b. prices

Product		Trade with non-European Countries			Intra-European Trade			Total Trade		
		1947 Half-yearly rate	1948 Jan.-June	1948 July-[a] Dec.	1947 Half-yearly rate	1948 Jan.-June	1948 July-[a] Dec.	1947 Half-yearly rate	1948 Jan.-June	1948 July-[a] Dec.
1. Electrical machinery	Imports	6	4	2	25	30	31	31	34	33
	Exports	47	56	70				72	86	101
2. Prime movers, other than electrical	Imports	17	13	13	24	29	28	41	42	41
	Exports	38	53	64				62	82	92
3. Agricultural machinery and appliances	Imports	12	16	9	11	16	17	23	32	26
	Exports	11	15	14				22	31	31
4. Textile machinery and sewing machines	Imports	11	16	18	24	32	34	35	48	52
	Exports	67	92	107				91	124	141
5. Other machinery, non-electrical	Imports	160	156	112	147	228	254	307	384	366
	Exports	227	240	272				374	468	526
6. Tools of iron and steel	Imports	7	6	4	17	20	16	24	26	20
	Exports	31	35	45				48	55	61
7. Other manufactures of iron and steel	Imports	18	10	7	56	75	72	74	85	79
	Exports	144	178	204				200	253	276
8. Electrical apparatus and appliances [b]	Imports	56	51	44	86	105	110	142	156	154
	Exports	133	182	205				219	287	315
9. Manufactures of non-ferrous metals	Imports	9	13	9	38	39	37	47	52	46
	Exports	42	49	63				80	88	100
10. Instruments and watches	Imports	24	18	13	54	55	65	78	73	78
	Exports	107	110	125				161	165	190
11. Tractors	Imports	25	31	30	5	7	18	30	38	48
	Exports	12	39	45				17	46	63
12. Locomotives, wagons and other railway and tramway material	Imports	69	16	17	6	16	15	75	32	32
	Exports	47	47	80				53	63	95
13. Motor vehicles, personal	Imports	43	29	34	76	74	59	119	103	93
	Exports	57	111	118				133	185	177
14. Motor vehicles, commercial	Imports	37	23	36	21	25	22	58	48	58
	Exports	69	70	96				90	95	118
15. Automobile parts	Imports	26	17	15	23	32	29	49	49	44
	Exports	16	16	24				39	48	53
16. Vessels and boats	Imports	175	137	52	76	81	146	251	218	198
	Exports	10	34	31				86	115	177
17. Aeroplanes and parts thereof	Imports	37	36	22	1	13	19	38	49	41
	Exports	53	47	30				54	60	49
18. Other vehicles [c]	Imports	7	10	13	29	20	20	36	30	33
	Exports	43	63	70				72	83	90

Source. — Research and Planning Division, Economic Commission for Europe. For details of the methods of computation, see Appendix B.

[a] Provisional, based on figures for less than six months in most instances.

[b] Including office and household machinery and appliances.

[c] Including motor and pedal cycles.

Table 56 *(continued)*

THE COMMODITY COMPOSITION OF EUROPE'S TRADE IN MANUFACTURES

Millions of dollars in current f.o.b. prices

Product		TRADE WITH NON-EUROPEAN COUNTRIES			INTRA-EUROPEAN TRADE			TOTAL TRADE		
		1947 Half-yearly rate	1948 Jan.-June	1948 July-Dec.[a]	1947 Half-yearly rate	1948 Jan.-June	1948 July-Dec.[a]	1947 Half-yearly rate	1948 Jan.-June	1948 July-Dec.[a]
19. Arms, ammunition and explosives	Imports	2	9	23	9	8	6	11	17	29
	Exports	31	64	65				40	72	71
20. Cotton tissues	Imports	38	16	12	89	95	115	127	111	127
	Exports	213	276	357				302	371	472
21. Tissues of wool and hair	Imports	4	1	—	70	74	81	74	75	81
	Exports	76	106	137				146	180	218
22. Silk tissues	Imports	—	—	—	9	4	4	9	4	4
	Exports	22	13	14				31	17	18
23. Tissues of artificial fibre	Imports	6	2	2	52	45	34	58	47	36
	Exports	64	66	80				116	111	114
24. Tissues of other textile materials .	Imports	23	31	37	14	9	13	37	40	50
	Exports	15	19	17				29	28	30
25. Apparel and other ready-made textiles	Imports	89	54	47	101	89	87	190	143	134
	Exports	200	198	236				301	287	323
26. Leather clothing and footwear of leather and other materials . .	Imports	8	5	8	26	33	22	34	38	30
	Exports	8	20	25				34	53	47
27. Prepared skins and manufactures of leather	Imports	24	11	6	17	20	19	41	31	25
	Exports	7	8	12				24	28	31
28. Rubber manufactures	Imports	38	23	25	29	30	39	67	53	64
	Exports	33	42	48				62	72	87
29. Wood manufactures	Imports	5	2	4	26	29	30	31	31	34
	Exports	20	19	19				46	48	49
30. Paper and manufactures of paper, excluding newsprint	Imports	10	8	9	100	102	106	110	110	115
	Exports	111	147	150				211	249	256
31. Manufactures of porcelain, earthenware, etc.	Imports	1	1	1	15	16	15	16	17	16
	Exports	33	40	46				48	56	61
32. Glass and manufactures thereof .	Imports	5	4	2	37	38	33	42	42	35
	Exports	53	57	59				90	95	92
33. Colours, dyes and varnishes . . .	Imports	25	26	31	61	67	65	86	93	96
	Exports	16	21	31				77	88	96
34. Pharmaceuticals	Imports	18	21	20	21	15	22	39	36	42
	Exports	54	58	58				75	73	80
35. Soap, perfumes, cosmetics, etc . .	Imports	3	1	1	24	20	16	27	21	17
	Exports	16	22	28				40	42	44
36. Other ready-made articles . . .	Imports	46	26	34	103	108	100	149	134	134
	Exports	109	117	142				212	225	242
TOTAL all groups	Imports	1,084	843	712	1,522	1,699	1,799	2,606	2,542	2,511
	Exports	2,235	2,730	3,187				3,757	4,429	4,986

[a] Provisional, based on figures for less than six months in most instances.

Table 57

EUROPE'S TRADE IN ESSENTIAL, INTERMEDIATE AND NON-ESSENTIAL MANUFACTURES

Millions of dollars in current f.o.b. prices

Period	ESSENTIALS		INTERMEDIATE PRODUCTS		NON-ESSENTIALS		TOTAL	
	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*
Imports from non-European countries								
1947, half-yearly rate	626	*100*	309	*100*	149	*100*	1,084	*100*
1948, January-June	524	*84*	228	*74*	91	*61*	843	*78*
1948, July-December	382	*61*	238	*77*	92	*62*	712	*66*
Intra-European trade								
1947, half-yearly rate	533	*100*	701	*100*	288	*100*	1,522	*100*
1948, January-June	693	*130*	741	*106*	265	*92*	1,699	*112*
1948, July-December	796	*149*	781	*111*	222	*77*	1,799	*118*
Exports to non-European countries								
1947, half-yearly rate	868	*100*	1,000	*100*	367	*100*	2,235	*100*
1948, January-June	1,034	*119*	1,266	*127*	430	*117*	2,730	*122*
1948, July-December	1,210	*139*	1,476	*148*	501	*137*	3,187	*143*

Notes. — This table is derived from Table 56. In order to arrive at the three classifications shown here, the items in Table 56 have been grouped as follows :

"Essentials" comprise items 1 to 7, 9, 11, 12, 14, 16, 17, 33 and 34.
"Intermediate products" comprise items 8, 10, 15, 18 to 21, 24, 27 to 32 and 36.
"Non-essentials" comprise items 13, 22, 23, 25, 26 and 35.

(for instance, the ranking of apparel and footwear as non-essential) and the whole distinction between essentials and non-essentials is necessarily somewhat arbitrary. Nevertheless, in practice, the authorities in most countries do employ these distinctions, both as general concepts and in their trade policies when, in times of strain, import restrictions are applied or intensified.[1]

Imports from non-European countries have been consistently concentrated on the essential types of goods which made up from 55 to 60 per cent of total imports of manufactures from overseas in contrast with only about 13 per cent of products in the non-essential group. The slightly disproportionate decline in imports of essentials in 1948 was heavily influenced by the completion of large deliveries of railway rolling-stock to France from the United States in 1947.

On the other hand, products classified as essentials weigh much less heavily in European exports to overseas countries, constituting somewhat less than 40 per cent of the total, while intermediate and non-essential manufactures were proportionately more important than in imports. The expansion of exports to non-European countries has, moreover, been fairly evenly spread among the three groups, essentials tending to increase at only slightly less than the overall rate of expansion.

In intra-European trade, the percentage distribution among the three groups is rather similar to that in European exports to overseas countries, but the trend of development is strikingly different. The increase has been concentrated in essentials, which, compared with 1947, expanded by almost 50 per cent in the last six months of 1948. Moreover, this increase more than compensated for the decline in imports of essentials from overseas countries. In goods of an intermediate nature, the increase in 1948 was only moderate compared with 1947, although here, too, the rise compensated for the decline in imports from abroad. In the third group, on the other hand, not only was there a very sharp and progressive contraction in intra-European trade, but the decline in this sector also reinforced the decline in imports from overseas, with the result that the total amount of non-essential imports by European countries in 1948 was very much lower than in the preceding year.

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[1] For example, the trade agreement of April 1948 between Switzerland and Sweden allocates the projected total amount of Swiss exports to Sweden into two distinct parts, one for essentials and one for non-essentials. *Cf. Feuille Fédérale,* 2 September 1948.

Trade of Principal Countries

In contrast to the divergent trends noted in the trade of individual countries in food and raw materials, the broad changes that have taken place in trade in manufactures from 1947 to 1948 appear to have been fairly general throughout Europe (although, as in the case of other commodities, wide differences in the relative levels of different countries' imports and exports of manufactured goods would appear if pre-war data were available as a basis for comparison). In order to show the separate movements of the trade of individual countries in different classes of manufactured goods, Tables 58 and 59 give figures for exports and imports of capital equipment and non-essentials separately for the main trading countries.

In the case of capital equipment, the percentage figures given at the bottom of Table 58 show that intra-European trade accounted for an increasing share in both total exports and total imports of European countries, although the absolute increase in exports overseas was greater than that in intra-European trade. More than half of the total exports of capital equipment, and likewise more than half of the increase in exports over the period, came from the United Kingdom. Other European countries, particularly Belgium and Italy, achieved even greater rates of expansion. The fastest rate of growth is shown in Germany, although its exports started

Table 58

IMPORTS AND EXPORTS OF CAPITAL GOODS BY PRINCIPAL EUROPEAN COUNTRIES[a]

Millions of dollars in current prices

Country	Imports, c.i.f.			Exports, f.o.b.		
	1947 Half-yearly rate	1948 January-June	1948 July-December[b]	1947 Half-yearly rate	1948 January-June	1948 July-December[b]
United Kingdom	90	118	103	670	867	993
France	206	137	113	115	106	143
Belgium-Luxemburg	91	96	103	89	127	147
Netherlands	119	132	131	*c*	*c*	*c*
Switzerland	41	54	46	84	92	101
Germany	*c*	*c*	*c*	5	19	29
Sweden	69	77	73	86	105	118
Norway	113	91	118	*c*	*c*	*c*
Denmark	37	35	47	*c*	*c*	*c*
Finland	20	21	19	*c*	*c*	*c*
Italy	69	40	15	40	62	84
Czechoslovakia	16	23	23	75	90	105
Other European countries	270	298	279	85	98	110
Total	1,141	1,122	1,070	1,249	1,566	1,830
of which:						
Europe (per cent)	*41*	*57*	*69*	*36*	*39*	*39*
Non-European countries (per cent)	*59*	*43*	*31*	*64*	*61*	*61*

Source. — Research and Planning Division, Economic Commission for Europe.

[a] "Capital goods" include items 1 to 7, 9, 11, 12, 14, 16 and 17 in Table 56.

[b] Provisional, based on figures for less than six months.

[c] Included in "other European countries".

Table 59

IMPORTS AND EXPORTS OF NON-ESSENTIAL GOODS BY PRINCIPAL EUROPEAN COUNTRIES

Millions of dollars in current prices

Country	Imports, c.i.f.					
	1947		1948		1948	
	Half-yearly rate (millions of dollars)	*Per cent of total imports of manufactures*	January-June (millions of dollars)	*Per cent of total imports of manufactures*	July-December [a] (millions of dollars)	*Per cent of total imports of manufactures*
United Kingdom	46	*14*	51	*13*	39	*10*
Ireland	44	*36*	41	*31*	32	*28*
France	25	*8*	21	*9*	17	*8*
Belgium-Luxemburg	80	*24*	52	*19*	45	*17*
Netherlands	39	*14*	32	*12*	31	*11*
Switzerland	35	*22*	35	*21*	27	*19*
Sweden	61	*21*	34	*15*	29	*13*
Norway	28	*14*	9	*7*	9	*5*
Denmark [b]	21	*20*	14	*18*	11	*10*
Finland	8	*14*	11	*18*	15	*20*
Spain	3	*8*	3	*10*	3	*8*
Italy	5	*6*	2	*3*	2	*5*
Czechoslovakia	4	*9*	3	*5*	3	*5*
Other European countries	53	*12*	60	*12*	63	*13*
TOTAL	452	*16*	368	*14*	326	*13*
of which :						
Europe (per cent)	*66*		*75*		*71*	
Non-European countries (per cent)	*34*		*25*		*29*	

Country	Exports, f.o.b.					
	1947		1948		1948	
	Half-yearly rate (millions of dollars)	*Per cent of total exports of manufactures*	January-June (millions of dollars)	*Per cent of total exports of manufactures*	July-December [a] (millions of dollars)	*Per cent of total exports of manufactures*
United Kingdom	317	*19*	387	*18*	413	*17*
Ireland	1	*25*	2	*29*	2	*20*
France	135	*27*	124	*26*	135	*22*
Belgium-Luxemburg	19	*7*	17	*6*	17	*6*
Netherlands	14	*11*	17	*12*	15	*11*
Switzerland [c]	50	*15*	29	*9*	25	*8*
Sweden	1	*1*	1	*1*	2	*1*
Norway	—	—	—	—	1	*1*
Denmark [b]	6	*13*	4	*8*	3	*5*
Finland	—	—	—	—	—	—
Spain	8	*15*	4	*8*	5	*9*
Italy	59	*31*	51	*26*	46	*19*
Czechoslovakia	26	*13*	44	*18*	41	*15*
Other European countries	19	*16*	15	*8*	18	*8*
TOTAL	655	*17*	695	*16*	723	*14*
of which :						
Europe (per cent)	*44*		*38*		*31*	
Non-European countries (per cent)	*56*		*62*		*69*	

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] Provisional, based on figures for less than six months.

[b] Including cars for re-export both in imports and exports.

[c] If watches were included, the export figures for Switzerland would become as follows (the percentage share in total Swiss exports of manufactures being given in parentheses) : 1947, half-yearly rate, $121 million (37) ; 1948, January-June, $111 million (36) ; 1948, July-December, $122 million (37).

from a very low level in 1947 and rose in 1948 to only a fraction of the pre-war level. On the side of imports, most countries increased their purchases of equipment, but French and Italian imports decreased considerably. In both instances this was mainly due to the completion of deliveries of transport equipment from the United States.

The distribution of imports of goods in the non-essentials group by individual countries, which is given in Table 59, shows how general the decline in trade in these products has been.

These figures do not, however, indicate the relative degree of austerity in one country compared with another, since some countries, for example France and Italy, which are themselves large producers of luxuries and other light consumer goods, ordinarily import fewer non-essentials than others. The figures do, however, reveal the different trends of the past two years. Belgium, Sweden and Norway are the countries which have made the largest reductions in their imports of non-essentials, but the first two of these countries appear to have had exceptionally large imports of these commodities in 1947.[1]

In absolute terms, the cut in British imports of non-essentials between 1947 and 1948 has been comparatively slight, but their share in total British imports of manufactures shows a considerable decrease, and it must be borne in mind that imports of these commodities were already subject to restrictions in the United Kingdom in 1947. The only country showing an increase in imports of non-essentials, both in absolute amounts and as a share of total imports of manufactures, was Finland, where the very strained import position in 1947 improved considerably in 1948. The same explanation may be valid for the rise in imports of non-essentials to the group of " other countries ", which are mainly Central and Eastern European countries.

On the export side, the total amount of non-essentials increased in 1948, but the percentages given in Table 59 show that a rapidly increasing share of these exports went to non-European countries. Within the total, different countries naturally fared very differently in the overseas markets for non-essentials. The absolute amount of non-essentials exported from the United Kingdom to all destinations showed a marked increase, while exports from nearly all other countries showed a decrease; this was due in part to the fact that most of the British exports went to overseas countries. Nevertheless, exports of non-essentials from the United Kingdom took a decreasing share in total British exports of manufactures.

The supplying countries which were most severely affected by the cut in non-essentials were Italy and Switzerland (as regards commodities other than watches), but the percentage figures for all other countries, except the Netherlands and Czechoslovakia, also show decreases. In the case of Czechoslovakia the increase seems to be mainly a result of increasing exports to other Eastern European countries.

The wide shifts in European trade in manufactures from 1947 to 1948 appear to follow the general trends in the European economy during this period. In some countries the relaxation of inflationary pressure discussed in Chapter 2 diminished the special stimulus given to trade in luxuries and other less essential articles by inflation. A more direct and universal influence was the increased effort of European countries to bring their foreign trade into closer balance through additional restrictions on imports of low priority goods.

The question arises as to what extent the curtailment of intra-European trade in less essential products contributed to recovery. Such measures inevitably tend to be mutually conflicting in their effects on balances of payments, since import restrictions imposed by one country are offset by those imposed by other countries. The compression of trade in less essential goods may, however, help to promote the shift of manpower and resources into the production of more necessary primary and manufactured products and thereby contribute to internal adjustment and to external equilibrium. Two limitations, however, stand in the way. One is the very incomplete mobility of skills and resources and the resulting difficulty of shifting workers and plant from the production of light consumer goods, which are the main components of non-essential goods, into more basic industries. Another is that any such transfer of resources as may occur in the producing country is likely to be more than outweighed by a counter-movement in the importing country. It is a common experience that, because of the extreme difficulty of controlling investment and manpower in the light consumer goods industries, restrictions imposed on imports of such goods almost invariably lead to the establishment of domestic industries producing the same things, usually much less efficiently. There thus ensues a diversion of fresh manpower and capital into less essential lines without any net benefit to the European economy in general, but with considerable disadvantage both to consumers and to the country from which the goods were previously obtained.

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[1] With regard to Sweden, see last year's SURVEY, page 95.

8. Summary of Trends in Trade

The developments that have taken place in the volume and commodity structure of Europe's trade which have been analysed in this chapter can be summarized in the following main points :

1. Europe's trade registered substantial recovery in 1948 in the expansion both of exports to overseas countries and of intra-European trade, and in the reduction of the exceptional dependence of the area on imports from overseas countries. Although both the geographic distribution and the commodity structure of trade continued to show many changes in comparison with pre-war, a tendency towards the restoration of the former patterns of trade was evident in most sectors.

2. The growth of total exports by some 28 per cent from 1947 to 1948 and the fact that they rose faster than industrial production were particularly striking. The tendency for exports to level off in the middle of 1947, which was commented upon in last year's Survey, appears, in retrospect, to have been primarily a seasonal phenomenon which was repeated in the summer of 1948 and was followed, in each instance, by a further expansion of exports. It is especially noticeable that, within the total volume of exports, manufactures have returned to the pre-war level, despite the fact that Germany, one of the largest pre-war exporters of manufactured goods, has exported little but primary goods since the war.

3. Most European countries shared in the trade recovery in 1948, although the comparative levels of exports and imports of different countries varied widely in relation to pre-war. The United Kingdom, confronted with one of the most difficult trade problems, led in the recovery of exports with a volume 47 per cent above pre-war in the last quarter of 1948, the greater part of its export drive being carried out in overseas markets where the United Kingdom alone accounted for well over half of Europe's exports. Taken together, other European countries showed even faster rates of growth in exports, although starting from lower post-war levels than the United Kingdom and still falling short of the pre-war aggregate volume. A number of countries, nevertheless, continued to show wide gaps in the relative levels of their exports and imports and registered little or, in some instances, no progress towards equilibrium at tolerable levels of trade.

4. Intra-European trade recovered less than trade with overseas countries. Germany, with its large pre-war trade with other European countries, was the main centre of the fall in intra-European trade, and, excluding Germany, the overall volume of trade among other European countries returned to the pre-war level. There were, however, significant divergences in the movement of trade in different parts of Europe, notably the increased volume of trade among Eastern European countries, the low but rising volume of East-West trade, and the sharply depressed level of imports into the United Kingdom from other European countries.

5. Intra-European trade remained somewhat different from pre-war in its commodity composition, but from 1947 to 1948 there was a tendency to return towards the broad lines of the pre-war pattern. Trade in foodstuffs and raw materials increased substantially from the extremely low level of 1947, the sharp rise in deliveries of Russian grain and Polish coal being particularly important. Manufactures, although accounting for a larger share of total intra-European trade than before the war, remained about 20 per cent less in volume than in 1938, despite an increase in trade in manufactures among European countries other than Germany. The rise in intra-European trade in manufactures from 1947 to 1948 was concentrated, moreover, in capital equipment and other essential goods. Serious marketing difficulties arose for nearly all manufactured goods of a less essential character, and competition in this field may be expected to become still sharper if German manufacturing production and exports continue the rapid increase of recent months. In general, it seems clear that intra-European trade is recovering without significant German participation and is assuming a structure largely independent of the role which Germany formerly played.

6. Except for the great increase in grain imports from 1947 to 1948, necessitated by shortages in Europe, the large post-war imports of foodstuffs, capital equipment and finished consumer goods from non-European countries diminished rapidly. This was mainly a result of the recovery in European production and the completion of certain large relief and reconstruction deliveries, but also because foreign exchange difficulties led many countries to curtail their imports of less essential goods. These changes in commodity composition were accompanied by geographic shifts in the origin of overseas imports, the share of the United States and Canada decreasing markedly in relation to that of other overseas countries.

7. Among the major industrial materials imported by European countries, textile fibres stood at the lowest level in relation to pre-war, but, in general, imports of virtually all industrial materials were low in comparison with the levels of production achieved by European industry. This change in the relation of imports to production may be expected to be, in part, of a permanent nature, since European countries during and after the war learned to economize in the use of scarce materials and to utilize substitute and waste products. The question remains open how this development affects costs of production in Europe.

8. Exports to overseas countries increased during 1948 throughout practically the whole range of European produce with the exception of food. In industrial materials, the bulk of the increase was in steel and yarn. In manufactured goods, exports to overseas areas substantially exceeded the pre-war level, and the rise from 1947 encompassed virtually all types of manufactured products, including capital equipment and consumers' goods. In view of the difficulties in the sale of consumers' goods which have developed in intra-European trade, a decisive factor in the future of Europe's exports overseas may well be the extent to which overseas markets will be able and willing to take less essential goods from Europe. In the case of equipment goods, marketing possibilities within Europe and overseas should be relatively very much better, inasmuch as less-developed countries should provide an active demand for capital equipment in exchange for their potential exports of food and raw materials which are still in short supply in many European countries.

Following this review of the general trends in Europe's trade, it remains to devote closer analysis to the two major problems of trade and payments relationships with overseas countries and trade and payments relationships among European countries. Before proceeding to this analysis, however, it will be useful to review developments in the field of international prices which have been left out of consideration in the quantitative analysis up to this point.

Chapter 5

PRICES IN INTERNATIONAL TRADE

1. The Movement of World Prices

The present structure of world trade makes it difficult to summarize movements in the prices of goods exchanged between different countries. In the first place, a large part of world trade is now conducted on the basis of bilateral agreements and special buying arrangements whereby trade in the same goods flows in many separate channels, each of which may have its own level of prices. Secondly, owing to the steps taken by many countries to maintain domestic prices at a controlled level independently of price movements in the rest of the world, price relationships within individual countries often vary considerably from those abroad. To a large extent a world market price, in the old sense of the term, has ceased to exist ; a fall in wheat prices in Chicago no longer has instantaneous repercussions on the price of wheat traded in the rest of the world. Nevertheless, some similarity in the general trend of prices in the different areas of the world persists. Though the greater part of world trade is conducted between countries with inconvertible currencies and on the basis of bilateral trade agreements, the possibility of buying or selling in " free markets " against gold or dollars exerts some influence on the prices charged in bilateral trade—an influence which varies, however, with the nature of the particular commodity traded and with the circumstances of the particular trading countries.

" World market " prices have therefore only a restricted meaning at the present time ; in so far as they exist, they may be taken as the prices ruling in hard-currency markets ; in particular, as the prices in the largest hard-currency market, the United States. It has already been shown in Chapter 2 that over the last two years a certain similarity could be observed between typical price movements in the United States and price movements in European countries. In the present chapter, the movements of American prices and their relation to the terms on which Europe buys its imports and sells its exports will be examined more closely.

The main tendencies in the behaviour of American prices during the past three years, shown in Chart 6, may be summarized as follows :

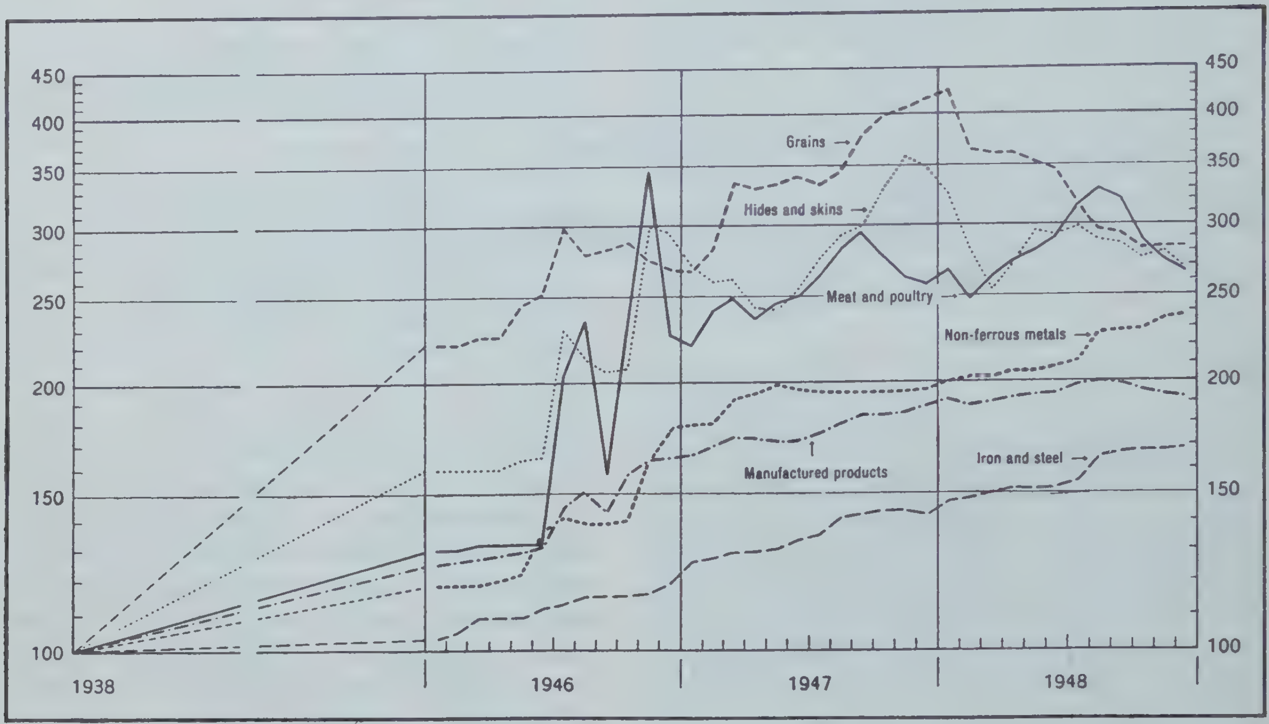
(1) Prices rose rapidly after the withdrawal of price controls in mid-1946 and continued a fairly sustained increase until the end of 1947. The increase was especially marked in farm products, grain rising to four times and meat to three times the 1938 price. The rise in manufactured products, on the other hand, was more moderate, the average price for manufactures, at the end of 1947, being somewhat less than double the 1938 level. Iron and steel prices were only about 40 per cent higher than before the war.

(2) In the closing months of 1947 and the beginning of 1948 the development of prices became more irregular. Industrial goods continued a slow but steady price increase,

Chart 6

TREND OF WHOLESALE PRICES IN THE UNITED STATES

Index numbers — 1938 = 100 *(Logarithmic scale)*



but farm prices began to sag and broke sharply in February 1948. They rose again, however, until August, after which a steady and general decline in agricultural prices set in. The average price level of manufactured products likewise declined moderately, but the prices of certain industrial materials, particularly non-ferrous metals, continued to rise and were appreciably higher at the end of the year than at the beginning.

(3) As a result of these changes, the spread which had developed between agricultural and other prices during the war was further accentuated in 1946 and 1947, the increase in grain prices by the end of 1947 being about twice as great as that in the average price of manufactures. Thereafter, however, the sharp decline in agricultural prices, the levelling-off in the prices of manufactures, and the continued rise in the prices of some industrial materials greatly narrowed the price dispersion and, as Chart 6 shows, prices were much nearer their pre-war relationship at the end of 1948 than they were in 1947.

The movement towards more normal price relationships in the United States is also clearly evident in the detailed data for basic commodities given in Table 60. To indicate the relevance of the price changes for Europe, the indices for groups of commodities given at the bottom of the table have been weighted according to each commodity's share in Europe's imports from overseas in 1947. At the beginning of 1947 as well as the beginning of 1948, food prices stood very much higher in relation to pre-war than prices of industrial materials. By the end of 1948, however, the fall in food prices and the continued high level of prices of industrial materials had brought the two groups to about the same level, the overall average being somewhat lower than it was a year before. The narrowing of the price dispersion which had developed during the war is further indicated in the steady reduction over the last two years in the average deviation of the individual series from the overall index. The prices of manufactured goods (which are not given in Table 60) remained, however, considerably below those of primary products.

Table 60

AMERICAN PRICE QUOTATIONS FOR SELECTED RAW MATERIALS AND FOODSTUFFS

Index numbers — average 1938 = 100

Commodity	Description	January 1947	January 1948	April 1948	July 1948	October 1948	December 1948
Pig iron	F.O.B. Neville Island	137	178	178	192	210	209
Steel billets	Re-rolling (Pittsburgh)	119	127	142	147	164	164
Structural steel	Pittsburgh	115	129	141	144	161	161
Copper	Electrolytic (New York)	193	212	212	214	231	232
Lead	Pig, de-silverized (New York)	273	316	363	376	411	454
Tin	Straits (New York)	166	222	222	242	242	244
Zinc	Prime western (St. Louis)	228	240	259	269	331	380
Anthracite coal	Composite chestnut	146	158	160	167	174	174
Crude petroleum	Kansas Oklahoma at wells	139	224	224	224	224	224
Hides	Steer, packers' heavy native	202	261	211	256	227	226
Natural rubber	Smoked sheets (New York)	153	149	156	165	150	129
Timber	Douglas fir, dimension No. 1, common 2" x 4" x 16′	255	333	343	370	370	348
Raw cotton	Middling 15/16" average for 10 markets	354	391	414	375	348	358
Wool	Australian 64*s.* 70*s.* scoured (Boston)	169	246	278	361	320	357
Maize	No. 3 yellow (Chicago)	242	493	424	389	266	259
Wheat	No. 1 dark Northern Spring (Minneapolis)	234	333	276	253	250	250
Raw sugar	96° centrifugal (New York)	203	200	186	196	194	193
Linseed oil	New York	407	376	323	323	327	322
Coffee	Santos No. 4 (New York)	345	341	341	344	344	349
Cocoa	Accra (New York)	493	830	672	847	764	604
Weighted averages : [a]							
Industrial raw materials (except food)		205	257	265	276	268	273
Food products		295	362	310	306	289	282
All items		243	301	284	289	277	277
Coefficient of variation [a] (standard deviation, per cent of average)		39.1	36.7	33.0	35.0	31.7	28.9

Source. — The figures have been taken from the *Survey of Current Business*, United States Department of Commerce.

[a] Weighted according to each commodity's share in Europe's total imports in 1947 from overseas of the raw materials and foodstuffs listed in the table.

United States export prices, as shown by the movements of unit values (derived from trade returns) in Table 61 seem to have reflected the movements of wholesale prices rather closely, at least during 1947 and 1948. Although changes in unit values may be influenced by shifts in the commodity composition of trade as well as by price changes, the index numbers for total exports move roughly parallel to the wholesale price index. As in the case of wholesale prices, export prices of foodstuffs also moved considerably nearer in 1948 to the prices of finished manufactures in relation to pre-war. Whereas in the last quarter of 1947 and the first quarter of 1948 the prices of crude foodstuffs had risen by two-thirds in terms of finished manufactures, in the last quarter of 1948 they were only about one-third higher. The prices of crude materials, on the other hand, declined only slightly in the last six months of 1948 and have shown a rise of about one-quarter in terms of finished manufactures compared with their 1938 relationship.

Table 61

UNIT VALUES OF UNITED STATES EXPORTS

Index numbers — 1938 = 100

Year and quarter		Exports of United States merchandise						Wholesale prices (all commodities)
		Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures	Total	
1946	First quarter	167	219	181	129	147	155	137
	Second quarter	172	224	181	134	153	159	142
	Third quarter	187	251	200	140	153	165	160
	Fourth quarter	201	249	226	146	164	176	176
1947	First quarter	215	248	235	161	174	189	185
	Second quarter	222	263	241	173	183	195	188
	Third quarter	227	283	233	177	189	200	196
	Fourth quarter	229	317	248	182	191	205	204
1948	First quarter	248	325	249	189	194	210	207
	Second quarter	250	302	246	190	194	208	209
	Third quarter	244	288	251	192	193	208	215
	Fourth quarter [a]	239	260	230	191	192	203	208

Sources. — The figures are derived from the *Monthly Summary of Foreign Commerce of the United States*, *Survey of Current Business*, *Foreign Commerce Weekly*, all of which are published by the United States Department of Commerce, and *The Economic Report of the President Transmitted to Congress, January 1949*, United States Government Printing Office.

[a] October and November only.

2. Price Movements in Europe's Foreign Trade

The price relations which have been noted between foodstuffs and raw materials on the one hand and manufactured products on the other are of primary importance for European countries, since the traditional pattern of Europe's trade with the outside world consists of an exchange of the products of Europe's manufacturing industry for raw materials and foodstuffs supplied by overseas countries. After the war, imports of manufactured goods from the United States formed a much larger share of total imports than in normal times, but the analysis in Chapter 4 has shown that the traditional pattern of trade is being very quickly re-established. In 1948, almost 90 per cent of Europe's total imports from non-European sources consisted of food, fuel and industrial raw materials, while finished manufactures constituted nearly 70 per cent of the total value of Europe's exports to overseas countries.[1] Europe's terms of trade with overseas countries are thus to a large extent determined by the relationship between the prices of its exports of manufactures and those of its imports of foodstuffs and raw materials.

Table 62 gives the indices of the average unit values of Europe's exports and imports.[2] These show that in the last three years the prices of imports have risen faster than the prices of exports, with a consequent steady

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[1] See Table 47 in Chapter 4 above.

[2] Average unit values, derived by dividing volume indices with constant pre-war weights into indices of current values, reflect changes in the composition of trade as well as changes in the prices of individual goods. In other words, they show the average rise in prices compared with pre-war years of the various goods actually exported or imported in any particular post-war year. For the purpose of calculating changes in the terms of trade, they are preferable, however, to price indices with constant weights precisely because they allow for the effect of the changing composition of trade on the average costs of imports in terms of exports.

Table 62

UNIT VALUES OF EUROPE'S IMPORTS AND EXPORTS

Index numbers — 1938 = 100

Year	Trade with non-European countries			Intra-European trade [a]	Total trade of Europe		
	Imports	Exports	*Cost of imports in terms of exports*		Imports	Exports	*Cost of imports in terms of exports*
1946	177	186	*95*	195	184	191	*96*
1947	217	212	*102*	229	221	221	*100*
1948	244	221	*110*	239	242	230	*105*

Source. — The unit values are all f.o.b. dollar values taken from Table 41.

[a] By definition, imports and exports in total intra-European trade are equal to each other.

deterioration in Europe's terms of trade with the rest of the world.[1] In 1946, the terms of trade were actually more favourable than in 1938. Between 1946 and 1948, however, the unit value of overseas imports rose by 37 per cent, while there was only a 19 per cent increase in the unit value of exports. As a result, the terms of trade in 1948 were about 10 per cent less favourable than in 1938.[2] The deterioration in the terms of trade was as great (if not greater) from 1947 to 1948 as from 1946 to 1947, but price trends during 1948 indicate that the deterioration may have slowed down or halted in the latter part of the year.

Terms of Trade of Individual Countries

The changes in the terms of Europe's trade with the rest of the world are the result of divergent tendencies in the terms of trade of the different European countries. As was shown in last year's SURVEY, the experience of the United Kingdom—which alone accounted for about one-half of Europe's exports and more than one-third of Europe's imports in trade with the rest of the world in 1948—was very different from that of the Continental countries. The terms of trade of the United Kingdom had deteriorated in 1947 compared with 1938, while those of other European countries, taken as a group, had improved. The half-yearly movements of the terms of trade in 1947 and 1948 for a number of European countries are given in Table 63.

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[1] In Table 62, as in subsequent tables, the terms of trade are measured by the ratio between the unit values of imports and the unit values of exports—*i.e.*, the cost of a given quantity of imports in terms of exports. Thus an index number of less than 100 indicates that since 1938 the terms of trade have moved in Europe's favour ; an index number of more than 100 indicates that they have moved against Europe.

In Table 62, unit value indices are given for overseas trade, intra-European trade and total trade. From the point of view of Europe as a whole, however, the terms of trade are significant mainly in connection with overseas trade. In intra-European trade as a whole, the unit values of exports and imports are necessarily the same, so that the influence of intra-European trade on the total terms of trade, as is shown in the table, is primarily to dampen the effect of the changes originating in the trade with non-European countries.

[2] The year 1938, which is used as the pre-war basis of comparison, was fairly typical of the price relationship between primary goods and manufactures in the 1930's. In the preceding year, however, as well as in the 1920's, prices of primary goods were considerably higher. On the basis of 1937 price levels, Europe's overseas terms of trade were more favourable than before the war in both 1946 and 1947, and about the same as pre-war in 1948. The United Kingdom's terms of trade, similarly based on 1937, were approximately the same as pre-war in 1946, but deteriorated by some 8 to 10 per cent in 1947 and 1948. These computations therefore throw a somewhat different light on the present status of Europe's terms of trade compared with the pre-war relationship, but they do not affect the analysis of the current levels of European export and import prices compared with the level of American prices, nor the discussion of recent trends in Europe's export and import prices.

This shows that between 1947 and 1948 the net position of the United Kingdom remained virtually the same, import and export unit

Table 63

UNIT VALUES OF IMPORTS AND EXPORTS AND TERMS OF TRADE OF EUROPEAN COUNTRIES

Index numbers — 1938 = 100

Country		Unit Values (Adjusted for changes in exchange rates)				Terms of Trade (Cost of imports in terms of exports)			
		1947		1948		1947		1948	
		First half	Second half	First half	Second half	First half	Second half	First half	Second half
Belgium	Imports	217	239	246	245[a]	78	77	96	103[a]
	Exports	278	312	256	237[a]				
Bulgaria[b]	Imports	235	234	306[c]	..	70	69	101[c]	..
	Exports	338	339	304[c]	..				
Czechoslovakia	Imports	213	213	232	201[a]	78	82	91	76[a]
	Exports	272	259	254	263[a]				
France	Imports	184	227	d	d	77	97	93[d e]	101[d]
	Exports	238	233	d	d				
Hungary	Imports	267	301	319	330[f]	94	88	89	92[f]
	Exports	284	343	359	359[f]				
Ireland	Imports	200	216	218	223[a]	103	112	94	105[a]
	Exports	194	193	231	212[a]				
Netherlands	Imports	235	256	..	..	110	112	..	..
	Exports	214	228	..	..				
Norway	Imports	207	242	255	258[g]	96	98	103	92[g]
	Exports	215	246	247	281[g]				
Sweden	Imports	218	236	243	242	91	89	86	87
	Exports	240	265	281	277				
Switzerland	Imports	202	210	219	210	92	97	103	101
	Exports	220	217	213	207				
Turkey	Imports	193	205	216	196[a]	86	104	120	102[a]
	Exports	225	197	180	192[a]				
United Kingdom	Imports	208	219	236	241	117	116	118	117
	Exports	178	189	200	206				

Sources. — The index numbers are derived from the *Monthly Bulletin of Statistics*, United Nations, and from national statistics. For details, see Appendix B.

Note. — Imports are given on a c.i.f. basis, exports on an f.o.b. basis.

[a] Based on third quarter only.

[b] Base of the index numbers : 1939.

[c] Based on first quarter only.

[d] Owing to the multiple exchange rates, it is not possible to calculate unit values for 1948 in terms of dollars. The estimates of the terms of trade for 1948 were derived from movements of import and export prices in terms of the national currency.

[e] Based on second quarter only.

[f] Based on four months only.

[g] Based on five months only.

values rising about equally,[1] while the terms of trade of the Continental countries appear to have deteriorated considerably. Thus the difference between the United Kingdom and the Continental countries no longer appears to be so large as it was in the previous year. The deterioration in the terms of trade of the Continental countries was particularly noticeable in the case of Belgium and of France.

It must be borne in mind that the data in Table 63 relate to the total exports and total imports of the individual countries, since the corresponding indices are not generally available for each country in its trade with different geographic areas. In Table 64, a computation has been made, however, showing separately the terms of trade of the United Kingdom and of the rest of Europe in their exchanges with non-European countries. The unit value of imports into the United Kingdom was slightly lower in both 1947 and 1948 than of imports into Continental European countries, although, as will be noted in more detail shortly, the favourable position of the United Kingdom in this respect is not fully revealed in these figures. On the side of exports, the divergence is very much greater, Continental European export prices having risen much more in relation to 1938 than British export prices. The difference between the two price levels was as much as one-third in 1947, but narrowed to approximately one-fifth in 1948 as British export prices continued to increase, while those of European countries receded moderately from their inflated levels.

Table 64

OVERSEAS TERMS OF TRADE OF THE UNITED KINGDOM AND THE REST OF EUROPE

Index numbers — 1938 = 100

Area		Unit value of imports [a]	Unit value of exports [a]	Terms of trade [b]
United Kingdom	1947	214	183	117
	1948	235	203	116
Other European countries	1947	219	247	89
	1948	250	241	104
Total Europe	1947	217	212	102
	1948	244	221	110

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] F.o.b. dollar values.

[b] Ratio of import unit value index to export unit value index.

World Prices and European Prices

The spread between Europe's import prices and its export prices, with the consequent deterioration in its terms of trade, is in line with what might be expected from the relative increase in world prices for foodstuffs and raw materials compared with world prices of manufactured goods. It is clear, however, that Europe's terms of trade were influenced by other factors as well, since it has been seen that the relative increase in the prices of primary goods in the United States was very pronounced in 1946 and 1947 and tended to be reduced in 1948, whereas Europe's terms of trade with overseas countries appear to have been more favourable than pre-war in 1946 and were practically the same as pre-war in 1947. It is also obvious from the comparison given in Table 64 that specific and different influences must have been operating on the import and export prices of the United Kingdom and of other European countries.[1]

To distinguish as far as possible between the effects of changes in " world prices " and other influences, a calculation has been made to show what Europe's import and export prices and its terms of trade with overseas countries would have been if the various commodities entering into the trade had been bought and sold at the prices ruling in the United States market. For this purpose, indices of United States prices were applied to each of the 60 groups of foodstuffs, industrial materials and manufactured goods into which Europe's trade was divided in Tables 48, 52 and 56 in Chapter 4, and the separate indices were weighted according to the current volume of trade in each group valued at 1938 prices. The results of this calculation are shown in Table 65. A similar calculation, the results of which are given in Table 66, has likewise been made for the total external trade of the United Kingdom, the price indices in this instance being grouped according to the classifications employed in British foreign trade statistics and weighted according to the value of trade in each commodity group in 1938 prices.

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[1] As stated, the computations are in terms of " unit values ". Computed on the basis of price changes alone, it has been estimated that the United Kingdom's terms of trade deteriorated by about 5 per cent from 1947 to 1948, the main change occurring in the first half of 1948, after which the relationship remained approximately stable (see United Kingdom *Economic Survey for 1949*, Cmd. 7647, page 20). This appears, however, to have been offset by the changes in composition of imports and exports as indicated by the unit value indices.

[1] Since the data in Table 64 relate only to trade with non-European countries, the indices for the United Kingdom differ slightly from those in Table 63 and Table 66 covering the United Kingdom's trade with all countries.

The conclusion which emerges most directly from Tables 65 and 66 is that the terms of trade of European countries would have been much worse than they were in 1947 and 1948 if they had sold their exports and purchased their imports at United States prices. In that case, Europe's overseas terms of trade would have deteriorated by about 27 per cent in both 1947 and 1948 compared with pre-war, instead of 2 per cent and 10 per cent respectively, as shown in Table 65. The United Kingdom would have experienced an even more marked deterioration of some 40 to 50 per cent in its terms of trade if the rise in its export and import prices had corresponded to the changes in United States prices since 1938, in place of the deterioration of around 16 to 18 per cent at the price levels which actually prevailed in its export and import trade.

These comparisons suggest that European countries have so far not experienced the full impact of the unfavourable changes in the price relation between the primary products which they are buying and the manufactured goods which they are selling. In this respect, the position of the United Kingdom was thus broadly similar to that of other European countries, though the underlying causes were rather different in the two cases. In the case of the United Kingdom, the deterioration of the terms of trade was moderated largely because it was able to purchase food and raw materials from the Dominions and other areas at prices considerably below those ruling in the United States markets. In the case of the Continental countries, the fact that the terms of trade have not deteriorated more sharply appears to have been mainly due, not to the low prices paid for imports, but to the relatively high prices charged for exports. To show the situation more clearly, it may be convenient to examine separately the summary results for exports and imports :

Indices of Export Unit Values
(1938 = 100)

	1947	*1948*
Total Europe (overseas exports only) :		
Actual	212	221
At United States prices	176	193
United Kingdom (total exports) :		
Actual	184	203
At United States prices	170	184

This comparison clearly shows that the rise in European export prices is far out of line with the rise in the prices of corresponding commodities in the United States. In the particular case of the United Kingdom, the discrepancy appears to have widened somewhat from 1947 to 1948 ;[1] in the overseas exports of Europe as a whole, however, the discrepancy tended to decline moderately, but still remained considerably greater than the differential between British export prices and United States prices. It must be remembered, of course, that the export price index for the Continental European countries alone, which stood at 241 in 1948 (as shown in Table 64), was very much higher than that for Europe including the United Kingdom shown above.

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[1] With regard to the behaviour of actual British export prices and corresponding United States prices, given in Table 66, the discrepancies were widest in the first two categories—" food, drink, and tobacco ", and " raw materials and articles mainly unmanufactured ". British exports in these products are, however, extremely small, and the more significant comparison is in the price indices for " articles wholly or mainly manufactured ".

Table 65

CHANGES IN EUROPE'S OVERSEAS TERMS OF TRADE AND HYPOTHETICAL CHANGES ACCORDING TO UNITED STATES PRICE MOVEMENTS

Index numbers — 1938 = 100

Item	1947				1948			
	Imports		Exports		Imports		Exports	
	Actual prices	U.S. prices	Actual prices	U.S. prices	Actual prices	U.S. prices	Actual prices	U.S. prices
Food and feeding-stuffs	..	270	..	222	..	274	..	248
Industrial materials	..	210	..	188	..	239	..	205
Finished manufactures	..	161	..	169	..	172	..	186
TOTAL overseas trade	217	224	212	176	244	246	221	193
Terms of trade : [a]								
Actual	102				110			
Hypothetical (in U.S. prices) .	127				127			

Source. — Research and Planning Division, Economic Commission for Europe. Actual prices and terms of trade are taken from Table 62. For methods of computation in U.S. prices, see Appendix B.

[a] Ratio of import price index to export price index.

Table 66

CHANGES IN THE UNITED KINGDOM'S TERMS OF TRADE AND HYPOTHETICAL CHANGES ACCORDING TO UNITED STATES PRICE MOVEMENTS

Index numbers — 1938 = 100

Item [a]	1947				1948 January-June				1948 July-December			
	Imports		Exports		Imports		Exports		Imports		Exports	
	Actual prices [b]	U. S. prices	Actual prices [b]	U. S. prices	Actual prices [b]	U. S. prices	Actual prices [b]	U. S. prices	Actual prices [b]	U. S. prices	Actual prices [b]	U. S. prices
Food, drink and tobacco	212	260	183	150	231	289	210	160	235	276	204	156
Raw materials and articles mainly unmanufactured . . .	235	276	211	207	267	295	253	221	277	300	260	222
Articles wholly or mainly manufactured	208	180	183	170	229	198	197	180	227	204	204	188
TOTAL foreign trade .	214	245	184	170	236	268	200	180	241	264	206	187
Terms of trade : [c]												
Actual	116				118				117			
Hypothetical (in U.S. prices) .	144				149				141			

Source. — Research and Planning Division, Economic Commission for Europe. For methods of computation, see Appendix B.

[a] The commodity composition of each group conforms to that of the official trade statistics of the United Kingdom and differs from that given in Table 65. The index numbers for the separate groups given in the two tables, therefore, are not comparable. See footnote 1, page 102.

[b] The actual price indices are official unit value indices calculated with current weights and adjusted for changes in exchange rates. They represent c.i.f. values in the case of imports and f.o.b. values in the case of exports.

[c] Ratio of import price index to export price index.

A comparison of the data for imports gives the following results :

Indices of Import Unit Values
(1938 = 100)

	1947	1948
Total Europe (overseas imports only) :		
Actual	217	244
At United States prices	224	246
United Kingdom (total imports) :		
Actual	214	239
At United States prices	245	266

The application of United States price movements to total European imports from overseas, on the one hand, and to total British imports, on the other hand, results in rather different levels of prices in the two cases on account of the different commodity composition of the trade. British imports consist predominantly of primary goods and semi-manufactures, which, as shown above, have risen substantially more in price in the United States than manufactured products. Imports of other European countries, on the other hand, include not only foodstuffs and raw materials, but also most of Europe's relatively large post-war imports of manufactured products from overseas. The inclusion of this relatively low-priced component would, other things being equal, tend to lower the average unit cost of imports into Europe as a whole compared with imports into the United Kingdom.[1] In fact, however, British import prices have risen less than the prices of imports of Europe as a whole and have been very much lower in relation to United States price levels. Imports into other European countries, on the other hand, have tended to conform more closely to the increases shown in United States prices.

British Import Prices

As shown in Table 66, the advantages enjoyed by the United Kingdom in the prices actually paid for imports compared with United States price levels were considerable in both of the first two groups, " food, drink, and tobacco " and " raw materials and articles mainly unmanufactured ".[1] In the third group, " articles wholly or mainly manufactured ", the British unit value index in 1947 and 1948 was consistently higher than the corresponding index at United States prices, but the weight of this group in British imports (about 24 per cent of the total in 1948) is much smaller than that of the first and second (44 per cent and 32 per cent, respectively). The higher prices paid for products in the third group are, moreover, a further confirmation of the inflated levels of Continental European prices, since British imports of manufactures come mainly from other European countries rather than from overseas countries.

The explanation of the relatively low prices paid by the United Kingdom for its imports of food and raw materials appears to lie largely in the extensive use which it has made of long-term contracts and bulk purchase agreements covering a large proportion of its purchases. The influence of these arrangements on British food supplies is shown in Table 67, which covers eight commodities imported from Denmark, Argentina, Australia, New Zealand, Canada and the United States. The table shows that, in the greater part of its

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[1] For the same reason, the decrease in the share of manufactures in Europe's overseas imports was one of the important factors in the rise in their average unit cost from 1947 to 1948.

[1] It can be seen from Table 66, which covers British imports that the indices for " raw materials and articles mainly unmanufactured " were considerably higher in 1947 and 1948 (whether measured by prices actually paid or by corresponding United States prices) than the indices for " industrial materials " in Table 65 covering overseas imports into all of Europe. This difference in no way contradicts the thesis that British import prices were relatively low compared with those paid by other European countries, the explanation lying in the different composition of the two groups. As previously stated, the group in Table 66 corresponds to the regular British classification and includes several relatively important items whose prices have increased most, which are either not included in the group of " industrial materials " in Table 65, or else are less important in total European imports than in British imports (for instance, oilseeds, which are included in the foodstuffs group in Table 65, and timber, whose share in British imports is very much greater than that in total European imports from overseas). On the other hand, the " industrial materials " group in Table 65 includes a number of items for which American prices have increased relatively little and which are either not imported into the United Kingdom in appreciable amounts (coal being the principal example) or which are grouped in British import statistics in the class " articles wholly or mainly manufactured " (for instance, mineral oil, steel, copper, wood pulp and fertilizers). The groups given in the two tables are not, therefore, directly comparable, and the differences in the price indices for the two groups have little or no significance.

Table 67

THE UNITED KINGDOM'S IMPORTS OF SELECTED FOODSTUFFS FROM VARIOUS COUNTRIES

Quantity in thousands of hundredweights and net value (c.i.f.) in dollars per hundredweight

Commodity	Source	Denmark			Argentina			Australia			New Zealand			Canada			United States		
		Quantity	Unit value [a]	*Index of unit value*	Quantity	Unit value [a]	*Index of unit value*	Quantity	Unit value [a]	*Index of unit value*	Quantity	Unit value [a]	*Index of unit value*	Quantity	Unit value [a]	*Index of unit value*	Quantity	Unit value [a]	*Index of unit value*
Wheat . . .	1938	—	—	—	5,811	2.10	*100*	30,995	1.86	*100*	—	—	—	28,831	1.91	*100*	15,805	2.10	*100*
	1947	—	—	—	7,741	7.01	*334*	—	—	—	—	—	—	68,761	3.95	*207*	6,930	5.44	*259*
	1948	—	—	—	2,099	7.01	*334*	15,430	6.16	*331*	—	—	—	66,566	4.07	*213*	183	5.96	*284*
Beef [b] . . .	1938	—	—	—	197	8.90	*100*	1,653	8.07	*100*	543	7.97	*100*	15	7.92	*100*	[c]	10.56	*100*
	1947	165	26.46	—	4,959	15.22	*171*	2,012	12.12	*150*	1,207	12.89	*162*	293	30.53	*385*	999	31.74	*301*
	1948	47	26.46	—	3,778	14.62	*164*	1,634	13.33	*165*	1,298	13.81	*173*	416	31.01	*392*	[c]	43.62	*413*
Mutton and lamb. . .	1938	—	—	—	894	13.35	*100*	1,898	13.40	*100*	3,676	13.99	*100*	—	—	—	—	—	—
	1947	—	—	—	2,058	15.99	*120*	1,001	17.12	*128*	5,048	17.80	*127*	—	—	—	—	—	—
	1948	—	—	—	1,380	16.15	*121*	825	17.16	*128*	5,220	18.77	*134*	—	—	—	—	—	—
Bacon . . .	1938	3,389	22.98	*100*	30	14.91	*100*	—	—	—	—	—	—	1,275	21.17	*100*	—	—	—
	1947	651	32.38	*141*	[c]	26.38	*177*	—	—	—	—	—	—	1,962	31.90	*151*	—	—	—
	1948	479	45.59	*198*	[c]	20.94	*140*	—	—	—	—	—	—	1,871	40.52	*191*	—	—	—
Pork . . .	1938	—	—	—	239	15.06	*100*	284	15.16	*100*	578	14.96	*100*	—	—	—	61	18.19	*100*
	1947	—	—	—	62	26.82	*178*	41	21.83	*144*	166	21.10	*141*	—	—	—	15	35.44	*195*
	1948	—	—	—	[c]	26.30	*175*	32	24.93	*164*	191	21.91	*146*	—	—	—	[c]	46.72	*257*
Butter . . .	1938	2,365	26.80	*100*	90	22.20	*100*	1,798	26.21	*100*	2,593	27.38	*100*	—	—	—	—	—	—
	1947	807	50.06	*187*	24	41.48	*187*	1,079	37.54	*143*	2,406	37.66	*138*	—	—	—	—	—	—
	1948	1,052	65.77	*245*	59	94.40	*425*	1,455	44.02	*168*	2,718	44.58	*163*	—	—	—	—	—	—
Cheese . . .	1938	19	17.36	*100*	—	—	—	237	15.45	*100*	1,639	16.28	*100*	678	16.82	*100*	—	—	—
	1947	94	41.16	*237*	—	—	—	318	23.60	*153*	1,654	23.16	*142*	459	30.33	*180*	1,200	48.69	—
	1948	59	51.19	*295*	—	—	—	362	26.86	*174*	1,661	26.50	*163*	324	35.08	*209*	498	59.97	—
Eggs [d] . . .	1938	95	0.24	*100*	7	0.21	—	10	0.29	*100*	—	—	—	2	0.29	*100*	—	—	—
	1947	21	0.38	*158*	—	—	—	15	0.38	*131*	—	—	—	55	0.49	*169*	—	—	—
	1948	45	0.59	*246*	—	—	—	17	0.44	*152*	—	—	—	46	0.56	*193*	—	—	—

Source. — *Trade and Navigation Accounts of the United Kingdom, December 1948.*

[a] Unit values were obtained by dividing value figures (converted from pounds sterling into dollars at average annual rates of exchange) by the corresponding quantity figures. Unit values of composite commodities (beef and mutton and lamb) were weighted in accordance with the composition of the United Kingdom's imports from each source in 1938.

[b] Frozen and boned and boneless beef. For Denmark, however, frozen beef only is included. For Canada in 1938 and for the United States in 1938 and in 1948, boned and boneless beef only is included, and the unit values and the indices for these countries in these instances also refer only to boned and boneless beef.

[c] Imports were less than 500 hundredweights.

[d] Quantities in million dozen ; unit values in dollars per million dozen.

food purchases from these countries, the United Kingdom has been able to hold the post-war price increases to relatively modest dimensions compared with the general rise in world prices. For each of the commodities listed, the larger part of British imports was invariably obtained in 1947 and in 1948 at very much lower prices than those paid for the marginal quantities obtained from other suppliers. Thus, the United Kingdom obtained its wheat largely from Canada at a price only about double the 1938 level (in terms of dollar equivalents), whereas the smaller quantities obtained from the United States, Australia and Argentina cost from two and a half to three times the pre-war price. On the other hand, meat and dairy products came principally from Australia, New Zealand and Argentina at prices which were, for the most part, no more than one-quarter to three-quarters higher than the 1938 levels. The prices paid for smaller quantities of similar products from Denmark, Canada and the United States tended to be very much higher, in relation both to the prices paid to the principal suppliers and to the pre-war levels.[1]

In the field of raw materials, the United Kingdom likewise appears to have purchased at prices considerably lower in relation to pre-war than those prevailing in the American market. This was particularly true in 1947, when, for instance, the average price (in dollar equivalent) paid for timber, cotton, and hides and skins imported into the United Kingdom was about two and a half times pre-war compared with three- to fourfold increases above the 1938 level in United States prices.

Recent Price Trends

Although the United Kingdom has continued to obtain its imports at prices below " world prices ", as shown in Table 66, it is also evident from the table that the differential narrowed appreciably during the past year. Whereas in 1947 the rise in British import prices was about 20 per cent less in the case of " food, drink and tobacco ", and about 15 per cent less for " raw materials and articles mainly unmanufactured " than the increase in corresponding United States prices, by the last half of 1948 the margins had fallen to 15 per cent and 8 per cent respectively. This change is likewise reflected in the half-yearly unit price indices given in Table 63, which show that British import prices have risen more rapidly and consistently during the past two years than those for any other country included in the table.

The explanation appears to be twofold. In the first place, it would seem that the price rigidity embodied in the British bulk-purchase arrangements tended to postpone the full impact of post-war scarcities on British import prices, and that these scarcities began to make themselves more strongly felt in the contracts for 1948, whereas other European countries, although still buying at higher prices than the United Kingdom, began to benefit in the latter part of the year from the weakening in world prices of several important commodities. The tendency towards higher prices under the British buying arrangements is evident in some of the increases observable in Table 67.[1]

A second important factor is the intensification of European demand during the past year for imports from non-dollar sources, including particularly the Sterling Area. It has already been seen in Chapter 4 that a considerable shift in the sources of European imports occurred in 1948, the share of the United States and Canada declining considerably and that of other overseas countries increasing. The detailed examination of this shift in the following chapter indicates that it was largely attributable to a change in the commodity composition of Europe's imports as relief and reconstruction imports from the United States declined and imports of other types of goods obtainable from other sources increased. It is also evident, however, that the shift was intensified by the efforts of European countries to find, as far as possible, non-dollar sources of supply in order to relieve their shortages of hard currency. The extent to which such diversion could occur was limited by the amount of supplies available from non-dollar sources and, as the next chapter will show, was less than commonly imagined. Nevertheless, the convergence of demand on the Sterling Area and other non-dollar sources of supply undoubtedly tended to produce a relative increase in prices in the countries concerned compared with those ruling in the United States. Thus the average prices of British imports from the Sterling Area increased by 15 per cent from 1947 to 1948 compared with an increase of only 6 per cent in the prices of imports from the United States and Canada and from South America.[1] This increase served to wipe out some of the differential which had previously marked British import prices compared with " world prices "; for example, the prices derived from British import statistics for cotton, oilseeds and nuts, hides and skins, and wood-pulp—all of which had been below American prices in 1947 compared with pre-war—caught up with or surpassed the level of American prices in 1948. The increase in the price of Egyptian cotton (purchasable for sterling, although Egypt is no longer a part of the Sterling Area) was particularly striking: the average cost per pound of Egyptian cotton imported into the United Kingdom was roughly 80 per cent higher in 1948 than in 1947 and about five times greater than in 1938 (in terms of dollar equivalents). While British imports of Egyptian cotton more than doubled in quantity from 1947 to 1948, the increase in the total volume of cotton exports from Egypt appears to have been moderate.

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[1] Though, as is shown in Table 67, imports from Denmark show relatively high prices, imports of bacon and dairy products from Denmark have also been covered by bulk-purchase agreements, under which the prices charged to the United Kingdom have been considerably lower than those applying to Danish exports of the same products to other countries.

[1] Calculations for January and February in 1949 similar to those given in Table 67 give further evidence of this rising tendency. The price of wheat from Canada, as derived from the British trade statistics for these months, indicates a rise of 20 per cent compared with the average unit cost in 1948, and smaller increases may also be observed in the unit costs of meat imports from Argentina, Australia and New Zealand.

The effects of recent price changes in the United States have also tended to reduce somewhat the differences between the prices in the American markets and the prices at which European countries buy and sell in their overseas trade. If the computations given in Table 65, showing hypothetical British terms of trade at American prices, are repeated on the basis of United States prices prevailing at the end of 1948, the deterioration in relation to 1938 is only 37 per cent, compared with 41 per cent for the second half of 1948 and almost 50 per cent for the first half of 1948. Similarly, for the overseas trade of Europe as a whole, the hypothetical terms of trade on the basis of American prices at the end of 1948 indicate a deterioration of 22 per cent compared with 27 per cent for the full year.

It may be presumed that the further recession in United States prices since the turn of the year narrowed these price differentials somewhat more, although Europe's terms of trade continued to be more favourable than the current American price relations would indicate. It would be a mistake, however, to attach undue significance to the current levels of United States prices as a measure of the ultimate adjustment required in Europe's terms of trade. As far as Europe's import prices are concerned, it is possible that when the powerful support to American prices provided by current dollar aid to European countries comes to an end, the prices of many commodities in the United States may fall to much lower levels, unless strong measures are taken to maintain prices at certain minimum levels. With regard to the prices of agricultural products and raw materials from other sources of supply, it should also not be forgotten that in many cases there are no satisfactory market outlets for these commodities except in Europe, and hence that the prices maintained in the United States do not necessarily set a "world market" standard for the prices of such commodities.

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[1] Derived from data given in the trade statistics of the United Kingdom. The calculations cover respectively 79, 88 and 52 per cent of the total value of United Kingdom imports from these areas in 1947. The low coverage for the United States and Canada is due to the relatively greater imports of manufactures for which no reliable unit values could be obtained. It should be noted, however, that between 1938 and 1947 the average price of the United Kingdom's imports from South America had increased by 155 per cent compared with an increase of 110 per cent in the price of its imports from the Sterling Area.

On the other hand, it may inevitably be necessary in the coming years to bring about a much closer alignment between European and American prices for manufactured goods. As was shown in the preceding chapter, European countries have so far been able to achieve a remarkable expansion in their exports overseas in spite of their high prices. The export expansion was, however, primarily in markets which, for reasons of political or monetary affiliation, have been shielded from outside competition. Recovery registered so far is, thus, largely to be explained by the fact that trade proceeded between countries with inconvertible currencies and through bilateral agreements. The continuance of Europe's export expansion and the ultimate achievement of trade equilibrium will require, however, the development of export sales in areas more open to competition. This includes not only the United States itself, but also other important trading areas whose external trade position enables them to exercise more open choice in their import policies. This is clearly true of any area in which European countries hope to establish an export surplus convertible into dollars. It is likewise true of other countries, especially Latin America, the Far East and the Middle East, with which Europe has a trade deficit now covered by dollars, and which have alternative markets for their goods in the United States. To expand exports to the point of covering the present level of imports from such countries, European manufactures will have to be able to compete more effectively with American goods.

3. CURRENCY OVER-VALUATION

The fact that European export prices have risen so much more than United States prices for the same type of goods would indicate that European currencies in general are over-valued in relation to the dollar, or rather —since the United States has a large export surplus with most areas of the world and not only with Europe—that the dollar is considerably under-valued in relation to all other currencies. It appears furthermore that this relative over-valuation of European currencies is considerably less pronounced in the case of the United Kingdom than in the case of other European countries. The above analysis was based, however, on the movement of export prices of the various countries in relation to 1938, and there is some evidence that in 1938 sterling was somewhat over-valued in relation to other currencies.[1] The position of sterling may not, therefore, be so different from that of other European currencies as would appear from the movement of export prices since 1938.

Changes in Production Costs

The relatively high prices charged by European countries in their foreign trade may be due to two principal causes. One is the high costs of production in Europe in relation to those in the United States—a factor which, because of the rigidity of cost structures, could only be successfully counteracted by a readjustment of exchange rates. There is a second factor, however, which may not necessarily involve an adjustment of exchange rates—that is, the tendency of many European countries, both in their trade with one another and in their exports to overseas countries, to charge high prices for exports in relation to costs of production or in relation to domestic prices. To the extent that these high prices may reflect higher profit margins in the export trade, they may automatically tend to fall again in response to increasing competition. However, as will be noted below, high prices may also tend to have permanent effects on costs of production.

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[1] Sterling definitely appears to have been over-valued in relation to other currencies before the devaluation of the pound in 1931. As a result of successive acts of devaluation in the United States and in European countries, the pre-1931 relations between the pound and other currencies were largely restored, however, by 1938.

Some light may be cast on the movement of production costs by an examination of the relative changes in labour costs of production. In the United States, while wage rates increased greatly, there was also a rise of some 30 per cent between 1938 and 1947 in output per worker in industry. To provide some indication, however rough, of relative industrial costs in Europe and in the United States, it is therefore necessary to take into account not only changes in wages, but also changes in labour productivity. A comparison based on the available data is given in Table 68, which shows the changes that have taken place in average hourly earnings in industry in European countries in terms of corresponding changes in the United States, and also shows these relative changes in hourly earnings adjusted for changes in output per worker.[1]

The table indicates that average hourly earnings in most European countries, after adjustment for changes in exchange rates against the dollar, have risen substantially less than wages in the United States. Taking into account, however, the failure of European industry to keep pace with the rise in productivity in the United States during the past ten years, costs of production appear to have risen substantially in a number of European countries relatively to American costs. These calculations therefore suggest that the present under-valuation of the dollar, measured by industrial production costs, is not so much a reflection of the over-valuation of European currencies caused by monetary factors (*i.e.* the inflation of price and wage levels insufficiently reflected in the movement of exchange rates), but rather a reflection of the rise in American productivity, which might have caused the dollar to become under-valued even if European price and wage levels had remained stable.

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[1] To make this comparison, the indices of hourly wages and of "wage costs" (wages adjusted for changes in productivity) in European industry have been adjusted for changes in the rates of exchange of the United States dollar and expressed as percentages of the corresponding United States index numbers. The calculations are necessarily subject to qualification because of lack of complete comparability in the original data, the difficulty of making reliable estimates of movements of productivity and the possibility that wage movements and productivity changes may differ in export industries compared with domestic industries.

Table 68

MOVEMENTS IN INDUSTRIAL WAGES AND LABOUR COSTS OF EUROPEAN COUNTRIES IN TERMS OF CORRESPONDING MOVEMENTS IN THE UNITED STATES

Index numbers — 1938 = 100

Adjusted for changes in exchange rates

Country	Average hourly earnings			Average hourly earnings adjusted for changes in output per man		
	1946	1947	1948	1946	1947	1948
Austria	28	44	68	92	144	162
Belgium [a]	116	120	..	156	172	..
Bulgaria	153	150	..	..	214	..
Czechoslovakia [b]	101	93	86	..	135	113
Denmark	97	91	89	150	128	118
Finland	126	157	189	184	202	213
France	77	96	..	124	138	..
Italy	86	82	81	211	154	139
Ireland	65	68	66	84	92	81
Netherlands [c]	78	74	71	143	125	109
Norway	79	78	..	125	119	..
Sweden	97	108	108	113	124	121
United Kingdom	91	88	86	117	111	101

Sources. — The figures are derived from Tables 4 and 20. For details of methods of computation, see Appendix B.

[a] Base of the index numbers : 1936-1938.

[b] Base of the index numbers : 1939.

[c] Base of the index numbers : 1938/1939.

As was shown in Chapter I, industrial productivity in Europe was still appreciably lower than pre-war in 1948, but it had been rapidly improving, so that—if the relation between wage levels remains stable—the differences in production costs at the prevalent exchange rates may be somewhat lessened in coming years.

Price Discrimination in Foreign Trade

As was indicated above, the relatively high prices charged for exports may be due not only to high costs of production, but to discriminatory practices in foreign trade—*i.e.* to the desire to obtain the maximum prices, irrespective of costs or of prices in the domestic market. The desire to secure internal price stability while charging high prices for exports has in a number of cases meant, moreover, that the profits made in foreign trade were drained off by means of export duties, the domestic price being kept low through price controls and allocations. In some countries this policy has been carried so far as to make the high export price of certain commodities a prerequisite for the low home market price, the weighted average of both prices roughly corresponding to the cost of production. The great post-war demand for goods has made this form of price discrimination much more common than before the war when, indeed, prices charged for exports were often much lower than the prices of the same goods on the home market.

It is difficult to obtain comprehensive data on the extent to which the rise in prices in the export trade may be explained by this factor. Owing to differences in weighting and commodity composition, general wholesale and export price indices are of limited value in assessing the degree of discrimination in export prices. There are, moreover, no comparable data available on home market prices and export prices for the bulk of manufactured goods. The extent of the discrimination can, however, be illustrated by a number of examples relating to basic commodities such as forest products, steel, coal, sugar and fertilizers.

The differentiation between home and export prices in forest products is shown in Table 69, which summarizes the change in prices of timber, pulp and paper in Finland, Norway

Table 69

THE LEVEL OF PRICES OF TIMBER, PULP AND PAPER IN FINLAND, NORWAY AND SWEDEN

Index numbers — 1938 average = 100
Adjusted for changes in exchange rates

Item	Finland			Norway			Sweden		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Export prices :									
Timber (sawn softwood)	217	304	323 [a]	—	—	—	211	308	322
Pulp	243	349	416 [a]	183	259	306 [b]	190	304	388
Paper				240	310	332 [b]	235	314	347
Home market prices :									
Timber (sawn softwood)	194	207	352 [a]	162	184	199 [c]	174	208	227 [a]
Paper and pulp	137	139	250	149	170	176 [c]	153	176	200
Wages in forestry	..	..	..	197 [d]	237 [d]	273 [d]	181 [e]	243 [e]	266 [e]

Sources. — The index numbers are derived from national statistics. For details, see Appendix B.

[a] January-September.

[b] January-October.

[c] January-November.

[d] Piece work rate for felling : winter 1945/46, 1946/47 and 1947/48. Base of the index numbers : average of winters 1937/38 and 1938/39.

[e] Average daily earnings of hewers : winter 1945/46, 1946/47 and 1947/48. Base of the index numbers : average of winters 1937/38 and 1938/39.

and Sweden. The scope of the indices in the table varies from country to country, but the main differences between home and export prices are quite clear. Between 1938 and 1948, export prices in all three countries increased considerably—often up to 50 per cent—more than home market prices. Finnish sawn softwood was, however, an exception to this rule as, early in 1948, its home market price was raised to about the level of the export price.

In Norway and Sweden, part of the gap between internal and export prices of sawn products and wood-pulp was bridged by special export duties. In spite of these duties, the high export prices shown in Table 69 were associated with an increase in wages which was considerably greater than the corresponding rise in home market prices. The foreign buyer thus helped to subsidize a low level of internal prices. Such a cost-price relationship would be vulnerable to a fall in the high export prices, particularly if, under the influence of these high prices, the level of production costs was raised above that of other competitors in the world market. The difficulties which Sweden has recently encountered in exporting wood-pulp to the United States might be taken as an illustration of this point.

Similar discrepancies between the internal prices and the export prices in the main European producing countries can be seen in the case of steel and coal. As is shown in Table 70, there is a substantial difference between the home market prices and export prices for both Belgian and British steel, the margin being considerably higher in Belgium, where the difference between " free " market export prices and home prices is of the order of 100 per cent or more. It is interesting to note that the Belgian " free " market prices for sales against gold or dollars are considerably higher than the organized export prices charged in bilateral trade agreements. The table also shows that the export prices of the United Kingdom are in line with the United States export prices, although Belgian export prices are considerably higher. Owing to the American steel shortage, however, the export price of steel in the United States has, so far, had only a moderate influence on the level of dollar prices paid for steel in the international market.

Table 70

HOME MARKET AND EXPORT PRICES OF STEEL IN THE UNITED KINGDOM, BELGIUM AND THE UNITED STATES

Dollars per ton

Product	UNITED KINGDOM (November 1948)		BELGIUM (January 1949)			UNITED STATES (January 1949)	
	Home market prices [a]	Export prices [b]	Home market prices [a]	Organized market export prices [c]	Free market export prices [c]	Home market price [d]	Export prices [e]
Heavy steel :							
Angles and joists	71	91	67	98	127	72	90
Plates, 10 mm. and over	..	94	72	109	148	75	93
Boiler plates	77	102	..	..	..	..	..
Light steel :							
Rounds and squares under 76 mm.	..	104 [f]	69	100	119	74	93
Wire rods	77	..	80	107	131	80	92
Sheets 1 mm.	103	..	94	136	191	72	92

Sources. — The figures have been taken from industrial publications. For details, see Appendix B.

[a] Delivered to consumer.

[b] Delivered to port nearest works.

[c] F.o.b. Antwerp.

[d] Average domestic price, f.o.b., for five main producing points.

[e] Delivered New York, Philadelphia or Baltimore.

[f] Minimum export price.

It is difficult to compare European coal prices, owing to the great variations in the quality of this commodity, and hence a wide range of prices is given in the following figures,[1] which show pit-head prices, which are taken to represent home market prices, and export prices f.o.r. or f.o.b. :

European Coal Prices in 1948
(dollars per ton)

	Pithead	*f.o.r. or f.o.b.*
United Kingdom	9–10	14.50–20
Germany	9–11	14.25–24
Poland	4– 7	7 –15

Source: Coal Division, Economic Commission for Europe.

It can be seen that a market difference exists between home market and export prices, the latter being about twice as high as the former.

In the case of sugar, there is also a marked difference between the average export price charged by some countries and the retail price on their home markets. For example, in 1947, Denmark's export price for refined sugar was nearly twice as high as its domestic retail price.

Countries which have a strict internal price-control system often provide striking examples of differentiation between home market and export prices. For instance, Norway's average export price for nitrate fertilizers increased from less than \$3 per 100 kg. in 1938/39 to \$4 ½ in 1947, while the price paid by Norwegian farmers actually fell from \$3.45 to \$3.05. At the same time, Norwegian prices for whale oil increased from a level of about \$75 per ton in 1938 to about \$400 for exports and \$160 for the home market in 1947.

In addition to discrimination between internal and external prices, there is often some discrimination between various export markets. For example, countries with softer currencies frequently pay more for the same goods than countries with harder currencies. Since the war, France and Italy have been paying higher prices for Scandinavian pulp than the United States and the United Kingdom. Moreover, the prices charged for exports to important and traditional markets have often been kept below those charged to other countries. The United Kingdom has been paying less for Scandinavian timber and Danish butter than most other European importers of these goods.

Although the many factors which influence the prices charged to different countries and the lack of adequate statistics make it difficult to assess the degree of discrimination between different markets, the limited evidence available indicates that the present structure of European trade has led to an increase in this type of discrimination in comparison with pre-war.

Effects of Price Discrimination

It seems clear that price discrimination has been a factor of considerable consequence in improving the terms of trade of individual countries, although its effects are not easily distinguishable from the uneven tendencies which are always present in periods of major price changes. The incidence of price discrimination as such, moreover, is not simple and clear-cut. Though, in a number of cases, the prices charged in bilateral trade are higher than the prices in the " free market "—*i.e.* where sales are made against gold and dollars —this, as was seen, is by no means always the case. In the case of Belgian steel, for example, the " organized " export prices laid down in bilateral agreements, are considerably below the " free " prices. In the case of the United Kingdom, the effect of bilateral arrangements and bulk purchases is generally to lower the price of its imports compared with the prices which the supplying countries charge to other customers. In other cases, the attempts by one country to raise its export prices for scarce commodities have shown a strong tendency to provoke reactions in the form of higher import prices. The ultimate effect of these discriminatory and retaliatory measures on the terms of trade is determined largely by the relative bargaining power of the different countries. Countries whose exports consist of commodities in great demand, or whose imports form a large proportion of the total supplies in the market, have had greater opportunities to improve their terms of trade than small countries or countries whose exports consist of less essential commodities.

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[1] The Polish prices in the table are not strictly comparable with the British and German prices, since they include some low-grade coal, while, on the other hand, the German prices include some high-grade coking coal. A rough comparison of unit values, derived from national trade statistics, suggests, however, that all three countries are charging roughly the same average price for the bulk of their ordinary coal exports.

In addition to its direct effects on the terms of trade and the balance of payments position of individual countries, price discrimination involving such wide differentials as those which have been seen between home market and export prices is bound to lead, from the point of view of Europe as a whole, to an uneconomic allocation of resources. In many countries dependent on imports of essential materials, the level of production costs has risen far above that of their competitors in the world market. This tends to penalize their exports and to reduce their ability to import scarce commodities. At the same time, domestic consumption of scarce goods in the producing countries tends to be stimulated by the maintenance of home market prices at artificially low levels. Allocation and rationing systems in the home market have, in some cases, served to counteract these tendencies, but there is sufficient evidence of shifts from export to home consumption to suggest that Europe's resources of several basic commodities are uneconomically used. There is also a risk of stimulating uneconomic investment in the development of substitute materials which would tend to perpetuate high costs of production even after the artificial price differentials have disappeared.

The ending of post-war shortages of basic commodities as the volume of production grows will tend to reduce the relative advantages in their domestic economies and in their external terms of trade which countries in a favourable bargaining position have been able to enjoy through price discrimination. The adjustments which such countries will have to make as competition increases may, in some instances, entail only a reduction in high profit margins. However, as several of the above examples suggest, inflated prices tend to produce inflated cost structures. Price discrimination may thus have contributed to the discrepancy between costs of production in Europe and in the United States and hence to the over-valuation of European currencies in relation to the dollar.

Chapter 6

THE BALANCE OF PAYMENTS AND OVERSEAS TRADE

1. Reduction in Deficit on Current Account

The large deficit which has characterized Europe's balance of payments with the outside world since the war was very substantially reduced in 1948. According to the estimates presented in Table 71, the reduction was of the order of $2,000 million, or more than one-quarter, compared with 1947. The reduction was concentrated, moreover, at the point where the deficit had been greatest; that is, in transactions with the United States. There was, in fact, a decline of about $2,100 million in the deficit with the United States in contrast with a moderate increase in the deficit with other overseas countries.

Of the total reduction in the deficit with non-European countries, the improvement in the merchandise trade account was responsible for approximately $1,300 million and would have been substantially greater but for the deterioration in Europe's terms of trade from 1947 to 1948, which is discussed in Chapter 5. The rest of the reduction in the current account deficit was attributable to a change in the net position on invisible transactions from an unfavourable balance of about $100 million in 1947 to a favourable balance of $600 million in 1948, growing primarily out of a striking improvement in Europe's shipping position.

Table 71

EUROPE'S BALANCE OF PAYMENTS

Thousand millions of dollars in current prices

Item	1938			1947			1948 [a]		
	United States	Other non-European countries	Total	United States	Other non-European countries	Total	United States	Other non-European countries	Total
Europe's imports (f.o.b.)	1.3	4.2	5.5	6.1	7.8	13.9	4.8	10.0	14.8
Europe's exports (f.o.b.)	0.6	3.1	3.7	0.9	5.5	6.4	1.1	7.5	8.6
Balance on trade account	−0.7	−1.1	−1.8	−5.2	−2.3	−7.5	−3.7	−2.5	−6.2
Income from investment (net)	+0.1	+1.1	+1.2	—	+0.6	+0.6	—	+0.5	+0.5
Transportation (net)	+0.2	+0.4	+0.6	−0.7	+0.3	−0.4	−0.2	+0.5	+0.3
Other invisibles (net)				+0.2	−0.5	−0.3	+0.3	−0.5	−0.2
Balance on invisibles account	+0.3	+1.5	+1.8	−0.5	+0.4	−0.1	+0.1	+0.5	+0.6
Balance on goods and services	−0.4	+0.4	—	−5.7	−1.9	−7.6	−3.6	−2.0	−5.6

Sources. — Estimates for 1947 and for 1948 have been prepared jointly by the Research Department, International Monetary Fund, and the Research and Planning Division, Economic Commission for Europe. The estimates on "invisibles" were supplied directly by the Fund. More detailed data on national balances of payments will be found in the Fund's forthcoming *Balance of Payments Yearbook.*

Data on trade are derived from Table XVI, adjusted for balance of payments purposes. See Appendix B.

Estimates for 1938 are revisions of the figures carried in last year's *Survey*.

[a] Provisional, based on incomplete data for the year.

Price and Volume Changes in Trade

It was pointed out in last year's SURVEY that Europe's balance of payments problem was more critical in several respects than that arising after the first World War. Among the various factors responsible for the large post-war deficit with overseas countries were the large reduction in income from investments and in shipping receipts and the emergence of large invisible payments to overseas countries. These changes alone would necessitate major compensating adjustments in merchandise trade, if equilibrium was to be restored. Merchandise trade itself, however, had been profoundly disturbed by the war, and the gap between the volume of imports and the volume of exports was much greater than in pre-war years. Finally, the size of the trade deficit was greatly increased by the general rise in prices during and after the war, although this rise affected import prices and export prices in roughly equal proportions and, in contrast to more recent trends, did not involve any appreciable deterioration in Europe's terms of trade from 1938 to 1947.

In 1948, Europe's imports from overseas countries cost roughly $800 million more in current prices than in 1947, although the estimated volume of imports fell by about 6 per cent. This, as was indicated in the preceding chapter, was mainly due to a strong rise in the prices of the commodities which Europe imported. In addition, two other influences were at work, the effects of which cannot, on the basis of the limited statistical data available, be clearly distinguished from the effects of genuine price increases. One of these was the marked change in the composition of Europe's imports, discussed in Chapter 4, as a result of which imports tended to increase in certain commodities which had risen most in price from pre-war levels, and to decline in products (notably manufactured goods) which had increased less in price. Secondly, there was a decline in imports from the dollar area in 1948 compared with 1947, and an increase in imports from other areas. This was largely a corollary of the change in the commodity composition of imports, but to some extent, as will be seen later, it represented a shift to alternative sources of supply for the same commodities. The facts are not sufficiently clear or complete to indicate whether or not this diversion tended to produce a net increase in the average cost of Europe's imports. The preceding chapter showed that, under the influence of intensified European demand, goods from the Sterling Area tended to rise sharply in price, but the general level of their prices nevertheless would seem to have remained lower than United States prices, and there is no adequate information on price levels and price changes in other non-dollar areas.

The rise in value of Europe's exports to overseas from 1947 to 1948 was influenced by price changes very much less than the rise in the value of imports. The total value of exports rose by about 35 per cent, while there was an increase in unit values of only about 4 per cent, with the result that the volume of exports increased by no less than 30 per cent. Since, as was shown in Chapter 4, the rise in exports was fairly widely spread amongst different commodities, the rise in the unit value of exports appears primarily to reflect an increase in prices rather than a change in the commodity composition.

Measured in 1938 prices, the overseas trade deficit of European countries declined by some $1,200 million between 1947 and 1948. Since the average level of both export and import prices in 1947 was more than twice as high as in 1938, this volume change would—other things being equal—have improved the current trade balance by roughly $2,500 million. As can be seen from Table 72, however, the actual improvement in current prices was limited to about $1,400 million.[1] The adverse effect on the trade balance of the deterioration in Europe's terms of trade between 1947 and 1948 was thus in the neighbourhood of $1,000 million.

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[1] The difference between this figure and the $1,300 million which can be derived from Table 71 is attributable to the adjustments made in the latter for balance of payments purposes (see Appendix B).

Movement in Invisible Items

Although it is difficult to differentiate clearly between the effects of price and volume changes on the value of merchandise trade, the distinction becomes almost impossible for service transactions, particularly since the estimates can be presented only on a net basis and represent a consolidation of a number of heterogeneous elements. For example, the low level of income from investments compared with pre-war is partly the result of the wartime and post-war liquidation of investments and partly the result of the impairment of earning capacity caused by destruction during the war and continued civil strife since the war, especially in the Far East. On the other hand, other investments of an equity or entrepreneurial nature, particularly in the Western Hemisphere, probably yield higher returns because of the general rise in prices and incomes, although this would not be true of remaining investments in fixed-interest securities. Clearly, however, the real value of Europe's income from overseas investments in terms of its buying power over imported goods has been reduced very much more than can be accounted for by the wartime liquidation of assets. The small further decline in investment income from 1947 to 1948 appears to be due to some continued liquidation of overseas assets, together with a moderate increase in interest payments to overseas countries resulting from new post-war borrowing by European countries.

The most dramatic change in Europe's balance of payments during the past year has been the decisive improvement in its position on shipping account, in which net out-payments of $400 million in 1947 were replaced by net receipts of $300 million in 1948. The major part of the improvement has been in the transportation account with the United States and was primarily the result of the reduction in freight payments to American vessels for the carriage of European imports. This has been partly due to some lowering of freight rates, but to a larger extent it was due to the decline in imports from the United States, particularly of coal, and to the decreased dependence of Europe on American ships with the restoration of European shipping fleets.[1] Earnings by European planes and vessels from the carriage of United States passengers and United States imports have also registered a steady increase from the very low levels immediately following the war. The increase in net shipping receipts from countries other than the United States is the natural counterpart of the marked increase in Europe's exports to such countries, carried chiefly in European ships, and to the increased capacity and competitive power of European shippers in the carriage of goods among the overseas countries themselves. The surprising rapidity and extent of the improvement in Europe's shipping position may be judged from the fact that the shipping balance of the O.E.E.C. countries (excluding the Bizone, Switzerland and Portugal) was estimated at a deficit of $333 million in 1947 (a figure consistent with the present estimate of $400 million for all of Europe), but was forecast at a deficit of $164 million for 1948/49, whereas the present estimates indicate that in 1948 there had already been a shift to a net favourable balance of $300 million.

Because of its mixed composition—including travel receipts and expenditures between non-European and European countries, receipts and expenditures on government account, and miscellaneous transactions—the " other invisibles " item in the balance of payments can scarcely be subjected to systematic analysis. Foreign travel in Europe has steadily increased since the war, helping to restore the traditional favourable position on this account, and it seems clear that the persistence of a large net deficit by European countries on " other invisibles " with countries other than the United States has been heavily influenced by military expenditures abroad.

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[1] According to the *Survey of Current Business*, U.S. Department of Commerce, February 1949, page 28, the tonnage carried in foreign bottoms increased from 39 per cent of total United States foreign trade in the first quarter of 1947 to 53 per cent in August 1948. See also *Foreign Commerce Weekly*, U.S. Department of Commerce, 26 June 1948, pages 8 et seq. for a detailed analysis of post-war changes in the shipping position of the United States.

Varying Shares in the Overseas Deficit

Almost all European countries have experienced difficulties in financing their imports from overseas sources since the war. In some countries the difficulty has been the direct result of adverse developments in their overseas trading position—the loss of markets, or the drying-up of income from investments, or the necessity for buying abroad goods previously obtained within Europe. In other instances, the effect has been more indirect, resulting from the disappearance of export surpluses in intra-European trade which formerly provided convertible exchange for meeting overseas requirements.

Moreover, the adaptation to the shortage of external means of payment has differed widely in different countries. Some countries, partly out of their own previously accumulated reserves and partly out of financial assistance from abroad, have been able to maintain large deficits in their overseas accounts. In other countries, lack of such resources has necessitated an adjustment of imports to the means available to pay for them.

In the absence of comparable balance of payments statistics for all European countries, Table 72 shows their respective shares in the most important component in the balance of payments; that is, the deficit on trade account.[1] The United Kingdom had the largest share in the overseas trade deficit in both 1947 and 1948, but also registered the largest overall reduction in its deficit between these two years, particularly in trade with the United States. It may likewise be noted that the ratio of British exports to imports showed a marked increase in 1947 and 1948 compared with 1938. Of the other countries listed separately in the table, Poland was the only one which had succeeded by 1948 in increasing its export-import ratio in comparison with the pre-war relationship.[1]

After the United Kingdom, France had the next largest overseas trade deficit in 1947 and reduced it only moderately in 1948. On the other hand, the excess of imports into Germany became even greater in that year because of the substantial rise in imports compared with exports. More than three-quarters of the German deficit was in trade with the United States, which supplied two-thirds of total German imports in 1948 compared with only about 7 per cent in 1938. The ratio of exports to imports was lower in Germany in 1947 and 1948 than in any other country. Amongst the other countries, one of the most drastic changes shown in Table 72 was the reduction in Sweden's trade deficit with overseas countries, particularly in trade with the United States, and the accompanying rise in its export-import ratio from 1947 to 1948.

None of the countries shown separately had an export surplus in its trade either with the United States or with other overseas countries in 1948, although two other countries—the U.S.S.R. and Spain—did have small favourable balances with the United States in 1948, amounting to $56 million and $7 million respectively.

Table 72 also shows that a deficit on overseas trade, especially with the United States, was typical of the pre-war position of most European countries. On the other hand, most of the Continental European countries compensated their overseas deficits by favourable balances in intra-European trade, chiefly in trade with the United Kingdom. One of the most significant changes in the post-war situation of Europe is the shift in the trade balance of the United Kingdom from an import surplus of more than $500 million in 1938 to an export surplus of more than $200 million in 1947 and 1948 in intra-European trade, which had profound repercussions on other European countries.

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[1] It must be particularly noted that the figures in Table 72 are derived from those given in Table XVI in the Statistical Appendix, which are adjusted to eliminate discrepancies in trade statistics between each pair of countries and are also adjusted to convert imports from a c.i.f. to an f.o.b. basis. The data do not, therefore, coincide with those reported in each country's own trade statistics.

[1] This likewise appears to have been true of the U.S.S.R. on the basis of the incomplete data available on its trade from the statistics of other countries.

Table 72

BALANCE OF TRADE OF SELECTED EUROPEAN COUNTRIES

Millions of dollars in current f.o.b. prices and percentages

Country	With overseas countries									With European countries			Per cent of total imports covered by total exports		
	United States			Other overseas countries			All overseas countries								
	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948
United Kingdom	—375	—895	—390	—537	—1,071	—756	—912	—1,966	—1,146	—529	+240	+228	61	73	87
France	—80	—762	—509	—263	—364	—583	—343	—1,126	—1,092	+ 8	+78	—68	72	63	65
Netherlands	—41	—353	—246	—48	—183	—229	—89	—536	—475	— 64	—158	—228	79	51	59
Belgium-Luxemburg	—35	—373	—200	—31	—72	—30	—66	—445	—230	+ 85	+80	+96	103	79	93
Switzerland	—4	—98	—69	+12	+26	—49	+8	—72	—118	— 47	—183	—139	89	75	76
Italy	—17	—444	—297	+91	—130	—70	+74	—574	—367	— 44	+94	+156	106	61	84
Denmark	—20	—76	—35	—30	—65	—132	—50	—141	—167	+ 78	+73	+49	109	88	82
Sweden	—22	—298	—30	—38	—61	—49	—60	—359	—79	+ 51	—45	—39	98	69	90
Norway	—12	—150	—57	—35	—42	—46	—47	—192	—103	— 22	—123	—141	74	55	64
Germany	—67	—579	—862	—34	—77	—257	—101	—656	—1,119	+288	+130	+188	110	45	49
Czechoslovakia	—1	—96	—7	+7	—26	—33	+6	—122	—40	+ 90	+110	+91	137	98	107
Poland	—14	—105	—49	—30	—30	—42	—44	—135	—91	+ 36	— 7	+106	97	64	103
Other European countries [a]	—88	—669	—496	—118	—344	—421	—206	—1,013	—917	+ 70	—289	—299	93	62	70
TOTAL Europe [a]	—776	—4,898	—3,247	—1,054	—2,439	—2,697	—1,830	—7,337	—5,944	—	—	—	85	67	77

Source. — The figures are derived from Table XVI.

[a] Including the U.S.S.R.

Five countries—France, Italy, Germany, the Netherlands and the United Kingdom—directly accounted for two-thirds or more of the total overseas trade deficit of Europe in 1947 and 1948. The inclusion of Belgium-Luxemburg, Sweden and Norway raises the fraction to four-fifths of the total. In its outward and direct expression, the European balance of payments problem thus appears primarily as a problem of Western European countries. This is evident also from Table 73, which provides a summary break-down between the countries participating and those not participating in the O.E.E.C. and also includes rough estimates of the balance of payments between these two groups of countries in 1947 and 1948. In both years the O.E.E.C. group accounted for well over 90 per cent of the total deficit with non-European countries. Other European countries accounted for a correspondingly small part of the total deficit, although their share in 1947 was nevertheless high in relation to their total imports from overseas (being about 50 per cent). This

Table 73

EUROPE'S BALANCE OF PAYMENTS : O.E.E.C. COUNTRIES AND OTHER COUNTRIES

Thousand millions of dollars in current prices

Item	1947				1948 [a]			
	With United States	With other non-European countries	With other European countries	Total	With United States	With other non-European countries	With other European countries	Total
I. *Countries participating in O.E.E.C.*								
Imports (f.o.b.) . .	5.6	7.3	1.0	13.9	4.6	9.3	1.4	15.3
Exports (f.o.b.) . .	0.7	5.2	0.8	6.7	0.9	7.1	1.0	9.0
Balance on trade account	−4.9	−2.1	−0.2	−7.2	−3.7	−2.2	−0.4	−6.3
Balance on invisibles account	−0.5	+0.4	+0.1	— .0	+0.1	+0.5	+0.1	+0.7
Balance on goods and services	−5.4	−1.7	−0.1	−7.2	−3.6	−1.7	−0.3	−5.6
II. *Countries not participating in O.E.E.C.*								
Imports (f.o.b.) . .	0.5	0.5	0.8	1.8	0.2	0.7	1.0	1.9
Exports (f.o.b.) . .	0.2	0.3	1.0	1.5	0.2	0.4	1.4	2.0
Balance on trade account	−0.3	−0.2	+0.2	−0.3	—	−0.3	+0.4	+0.1
Balance on invisibles account	—	—	−0.1	−0.1	—	—	−0.1	−0.1
Balance on goods and services	−0.3	−0.2	+0.1	−0.4	—	−0.3	+0.3	—
III. *Total Europe : Balance on goods and services*	−5.7	−1.9	—	−7.6	−3.6	−2.0	—	−5.6

Source. — Based on material underlying Table 71. See also Appendix B.

[a] Provisional, based on incomplete data for the year.

reflects largely the receipt of U.N.R.R.A. aid, which did not end until the middle of 1947, together with some imports on credit. In 1948, far-reaching changes occurred : transactions on current account with the United States came into approximate balance, the deficit with other overseas countries increased somewhat, the surplus on transactions with O.E.E.C. countries increased still more, and the overall deficit was eliminated.

Various factors account for the difference in size and behaviour of the balance of payments deficits of the two groups. First of all, it is a truism that the size of a deficit is a function of the ability to finance it, whether through use of reserves or through the receipt of external assistance. In this respect, the countries now belonging to the O.E.E.C. have had, even prior to the European Recovery Programme, considerably larger resources at their disposal than other European countries.

Secondly, the countries of Western Europe have been historically more dependent on imports than the countries of Eastern Europe, and hence more susceptible to disturbances in international trade, whether they are caused by the changes in the supply of goods or by the ability to pay for them. In general, the countries with the greater historical dependence on imports are also the countries which now account for the larger part of Europe's overseas deficit.[1]

The difference, however, between the direct shares of Western and Eastern European countries in the overseas deficit is not necessarily a measure of the relative importance to them of the overseas balance of payments problem. The estimates in Table 73 (together with the further analysis of intra-European trade in Chapter 7) show that Eastern European countries have been able to restore their traditional export surplus in trade with Western Europe, the proceeds of the surplus being used in large part to finance Eastern European imports from overseas countries. Unless the overseas deficit of Western European countries is covered and the problem is ultimately overcome in ways which do not involve an undue restriction of imports, the ability of Eastern European countries to cover their need for overseas imports would be compromised and the pattern of intra-European trade which began to emerge in 1948 would have to be subjected to further basic readjustments.

2. FINANCING THE DEFICIT

Since the war, Europe has relied on all three of the possible ways of financing a deficit on trade and service account—namely, gifts, loans, and the liquidation of gold and other assets. Table 74 shows the various means used to cover the deficit in 1947, together with the incomplete data available for 1948. It also shows that the problem of covering current expenditure overseas was complicated by outflows of capital from European countries. The magnitude of these capital outflows from Europe is not adequately revealed by the table, where the figures are entered on a net basis. For instance, the apparent increase in European investments in overseas countries other than the United States (line II-B) in 1947 and especially in 1948, is only the estimated excess of new investments over the liquidation of old investments (such as the sale of British railways in Latin America). Computed on a gross basis, the outflow of capital from Europe during the past two years was on a scale approaching that of earlier periods of large-scale capital movements.

These capital outflows from Europe, however, included not only overseas investment

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[1] The ratio of imports to national income for a number of European countries, based on data for part or all of the period 1929 to 1938, was as follows (in percentages) : Austria, 29 ; Belgium, 37 ; Bulgaria, 9 ; Czechoslovakia, 17 ; Denmark, 29 ; Finland, 25 ; France, 16 ; Germany, 10 ; Greece, 24 ; Hungary, 13 ; Ireland, 29 ; the Netherlands, 30 ; Norway, 28 ; Poland, 9 ; Rumania, 14 ; Sweden, 19 ; Switzerland, 22 ; Turkey, 7 ; United Kingdom, 20.

Table 74

GRANTS, CAPITAL TRANSFERS AND GOLD TRANSACTIONS BETWEEN EUROPEAN AND OVERSEAS COUNTRIES

Millions of dollars

Net receipts (+) or payments (—) by European countries	1947[a]				1948[a]			
	International agencies[b]	United States	Other overseas countries	Total	International agencies[b]	United States	Other overseas countries	Total
I. *Grants and donations :*								
A. Aid from official sources	+ 450	+ 700	+ 120	+ 1,270	+ 100	+ 3,588	..	+ 3,688
B. Private donations	—	+ 396	+ 100	+ 496	—	+ 452	+ 100	+ 552
Total grants	+ 450	+ 1,096	+ 220	+ 1,766	+ 100	+ 4,040	+ 100	+ 4,240
II. *Transfers of long-term capital :*								
A. Loans and investments of overseas countries in Europe	+ 300[c]	+ 3,824	+ 615	+ 4,739	+ 193[c]	+ 673	+ 513	+ 1,379
B. European loans and investments in overseas countries[d]	— 449[e]	+ 194	— 978	— 1,233	— 26[e]	+ 159	— 346	— 213
Total long-term capital	— 149	+ 4,018	— 363	+ 3,506	+ 167	+ 832	+ 167	+ 1,166
III. *Transfers of short-term capital :*								
A. Claims of overseas countries on Europe	+ 430[f]	+ 8	— 424	+ 14	+ 116[f]	+ 24	— 635	— 495
B. European claims on overseas countries[d]	—	+ 804	..	+ 804	—	— 340	..	— 340
Total short-term capital	+ 430	+ 812	— 424	+ 818	+ 116	— 316	— 635	— 835
IV. *Sales and purchases of gold*[d]	+ 442[g]	+ 1,474	— 321	+ 1,595	+ 32[g]	+ 914	— 400	+ 546
Net receipts (+) or payments (—) by European countries through grants, capital transfers, and gold transactions	+ 1,173	+ 7,400	— 888	+ 7,685	+ 415	+ 5,470	— 768	+ 5,117

Source. — Research and Planning Division, Economic Commission for Europe. See Appendix B.

[a] Estimates for both years are subject to revision, those for 1948 being necessarily more approximate and less complete than those for 1947.

[b] International agencies include chiefly United Nations Relief and Rehabilitation Administration, International Refugee Organization, International Monetary Fund, and International Bank for Reconstruction and Development.

[c] Loans by the International Bank for Reconstruction and Development.

[d] Since the estimates show movements of funds, a plus sign (+) used with reference to European long-term and short-term assets in non-European countries designates a drawing-down of such assets, and a minus sign (—) designates an increase in such assets. The opposite sign would have to be used in each instance to represent an increase or decrease in the size of the assets, as distinguished from the direction of the flow of funds. Similarly, a plus sign is used to designate the sale of gold and a minus sign to designate the purchase of gold.

[e] Quotas and subscriptions paid by European countries to the International Monetary Fund and to the International Bank for Reconstruction and Development.

[f] Dollars purchased from the International Monetary Fund against currencies of European member countries, representing a liability to the Fund.

[g] Gold portion of quota and subscription payments to the International Monetary Fund and the International Bank for Reconstruction and Development. This is a partial offset to the corresponding payments in Item II-B (see footnote [e]), the delivery of gold being regarded as a sale (+) of gold to obtain funds utilized to pay (—) the quotas and subscriptions invested by European countries in these institutions. The entry for 1948 also includes $6.1 million of gold sold by Norway to the Fund to obtain dollars.

for development purposes, adding to the earning assets of European countries, but also debt repayments of a contractual nature and reductions in claims on Europe built up by overseas countries during the war, especially drawings on sterling balances in London. In addition, there was a substantial capital outflow of an unco-ordinated nature, much of it consisting of the flight of private capital for tax evasion or security reasons. Such movements have imposed an additional burden on the balance of payments without providing the European countries concerned with any certainty of future benefit in the form of increased production of scarce goods, larger income from overseas investments, or the acquisition of foreign reserves available in time of need. By their nature, such capital movements are only incompletely reflected in the available data.

Changes in the Methods of Finance

The heavy deficit on current account, together with the additional burden of capital outflows, culminated in the sterling convertibility crisis of 1947 and threatened the complete exhaustion of available financing resources. The magnitude of the problem can best be seen by comparing the size of the gold and dollar reserves at the end of 1947 with the dollar deficits incurred during that year alone. Thus, the gold and dollar holdings of the United Kingdom, including the rest of the Sterling Area, were equal to only about one-half of the total drain on gold and dollars incurred during the year ; in the case of France and the Netherlands, the ratio was only about one-third, while Italy's holdings were probably less than one-tenth of the dollar deficit in 1947. While the greater part of the financing was provided out of credits and other assistance by the United States, most European countries found it necessary, in addition, to make further heavy inroads on their already depleted reserves.

It had already become apparent in the course of 1947 that the available financial resources and the institutions previously established were either inadequate or inappropriate to finance the deficits then prevailing, and the outlook was made worse by the poor crops throughout most of Europe. The new measures of assistance undertaken to meet this situation differed in several fundamental respects from the financial assistance previously extended. For one thing, the emphasis shifted markedly from loans to grants-in-aid as the principal form of assistance, as it became clear that the creation of heavy additional international indebtedness would entail an unrealistic appraisal of future prospects. This shift is clearly brought out in Table 74. Secondly, the continuation of large-scale assistance from the United States became related to the establishment of a joint programme for economic recovery by European countries. Finally, there came a pronounced shift in the distribution of external aid among European countries, virtually all assistance from the United States after the U.N.R.R.A. programme ended being concentrated in those Western European countries which took part in the European Recovery Programme.

The total amount of external financing provided to Europe in 1948 was very much smaller than in 1947. This reflects in part the reduction in Europe's current account deficit, although the size of the deficit was necessarily influenced by the amount of financing available since all countries adopted much more restrictive import policies following the heavy drains on their reserves in 1947. In addition, the amount of financing required appears to have been favourably influenced by a reduction in outward capital movements from Europe, as the outflows which had been so important in 1947 were brought under better control. Indeed, the lessening of the need for financial assistance was such that, towards the close of 1948, several countries were able to register a slight increase in their dollar reserves.

World Flow of Dollar Payments

One of the striking features that comes out clearly in Table 74 is the post-war dependence of Europe on dollars to finance European requirements from overseas countries other than the United States. In 1947, donations and long-term loans furnished directly by the United States to Europe totalled $4,900 million, or only $800 million less than Europe's current account deficit with the United States in that year. In addition, European countries themselves liquidated gold, dollar balances and investments in the United States to the extent of almost $2,500 million in 1947. Finally, international institutions—including U.N.R.R.A., the International Bank and the International Monetary Fund—provided approximately $1,200 million net, most of which came from dollar funds directly or indirectly supplied by the United States.

In other words, the total dollar resources utilized by European countries, including the liquidation of their own assets, amounted to some $8,600 million in 1947, or $2,900 million more than their aggregate deficit on goods and services with the United States in that year. The data for 1948, although less complete, show an excess of about $2,300 million. These figures provide an indication of the possible magnitude of net dollar settlements by European countries in their transactions with overseas countries other than the United States. It will be noted, however, that the amounts are substantially larger in each instance than Europe's deficits on goods and services with such other overseas countries. The excess is to be explained in part by the previously discussed outflow of capital from Europe in both years, although some additional allowance should be made for capital transfers from Europe to the United States which it has not been possible to take into account in the net estimates given in Table 74.[1]

The dependence of Europe on dollars to finance imports from countries other than the United States is a profound change from the pre-war pattern of financial settlements. In former years, Europe was able to meet its trade deficit with the United States through dollars received from third countries, which they in turn earned out of their export surplus with the United States. The countries in question were primarily the overseas colonial territories of European countries, especially the British and Netherlands possessions in the Far East.[1]

Since the war the flow has been reversed, and Europe now pays out dollars to overseas countries while they in turn utilize such dollars along with additional amounts received through credits or drawn from gold and dollar reserves, to settle their trade deficits with the United States. A summary view of the international pattern of dollar settlements in 1947 and 1948 is given in Table 75. It will be seen that a heavy deficit on goods and services with the United States has been typical not only of Europe, but of overseas areas as well. Unlike Europe, however, the deficit on goods and services of overseas areas was only partly covered by grants and loans received from the United States or by the use of their own gold and dollar reserves. The remaining deficit, amounting to about $2,000 million in 1947 and $1,100

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[1] There is some indication that capital movements, of a nature eluding the official records and estimates, from all outside sources into the United States may have been of the order of $1,000 million in both 1947 and 1948, since the United States balance of payments estimates for these years show residual (*i.e.* unexplained) receipts of $1,004 million and $1,125 million, respectively. These residual figures represent net errors and omissions, and may be attributable to an over-estimate of payments by the United States as well as to the incompleteness of the estimates covering payments by other countries to the United States. The errors and omissions may lie either in the current account or in the capital account, but the better coverage available on goods and services provides a strong presumption that the residual represents, in major part, unrecorded capital transfers to the United States. Such unexplained residuals were characteristic of the United States balance of payments estimates during the 1930's, when large amounts of capital are known to have been transferred to the United States in ways which escaped direct recording.

[1] The pre-war flow of dollar funds has been briefly described by the U.S. Department of Commerce as follows: "Before the war there was a net outflow of dollars from the United States to the European dependencies, mainly because of our purchases of such products as rubber, tin, tea, cocoa, and copra. These funds were generally paid by the dependencies to Europe for merchandise, services, or income on investments. From Europe these funds moved back to the United States either directly or by way of Canada or some of the other non-European countries which had an import surplus with the United States. Our transactions with Latin America as a whole were largely balanced, although some of these countries obtained funds from Europe, which they paid to the United States, while others used excess dollars received from the United States to make payments to Europe." See "International Transactions by Major Foreign Areas", by R. L. Sammons, *Survey of Current Business*, November 1948.

Table 75

DOLLAR RECEIPTS AND PAYMENTS OF EUROPE AND OF OTHER AREAS

Millions of dollars

Area	In transactions with the United States [a]								In transactions with other countries (net) [b]	
	Goods and services (net)		Unilateral transfers (gifts)		Long-term capital movements		Gold and short-term capital movements			
	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948
	Full year	Annual rate for 9 months	Full year	Annual rate for 9 months	Full year	Annual rate for 9 months	Full year	Annual rate for 9 months	Full year	Annual rate for 9 months
O.E.E.C. member countries	– 5,363	– 3,676	+ 998	+ 3,293	+ 3,968	+ 1,036	+ 2,257	+ 973	– 1,860	– 1,626
Other European countries	– 345	– 45	+ 98	+ 117	+ 50	+ 37	+ 29	+ 59	+ 168	– 168
Total European countries	– 5,708	– 3,721	+ 1,096	+ 3,410	+ 4,018	+ 1,073	+ 2,286	+ 1,032	– 1,692	– 1,794
Overseas territories of O.E.E.C. member countries	– 332	– 88	+ 13	+ 13	+ 24	+ 72	+ 101	– 9	+ 194	+ 12
Canada and Newfoundland	– 1,157	– 409	+ 34	+ 1	– 150	+ 293	+ 803	– 445	+ 470	+ 560
Latin American republics	– 2,004	– 1,020	+ 33	+ 29	+ 410	+ 113	+ 960	+ 99	+ 601	+ 779
All other countries	– 2,066	– 1,178	+ 623	+ 796	+ 209	+ 177	+ 460	+ 413	+ 774	– 208
Total non-European countries	– 5,559	– 2,695	+ 703	+ 839	+ 493	+ 655	+ 2,324	+ 58	+ 2,039	+ 1,143
International institutions [a]	– 11	– 10	+ 581	+ 110	+ 3,230	+ 7	– 2,449	+ 471	– 1,351	– 578
Total, including international institutions	– 11,278	– 6,426	+ 2,380	+ 4,359	+ 7,741	+ 1,735	+ 2,161	+ 1,561	– 1,004	– 1,229

Source. — International Economics Division, United States Department of Commerce.

Note. — All signs are reversed as compared with the original source in order to present data from the standpoint of areas specified rather than from that of the United States.

[a] Funds supplied by the United States through contributions or subscriptions to United Nations Relief and Rehabilitation Administration, the International Monetary Fund, the International Bank for Reconstruction and Development, and other international organizations are not included in the figures shown for each area but are included in the entries for "international institutions".

[b] Figures in the last two columns represent, in the case of Europe, the excess of dollar funds obtained from the United States (including receipts through drawings on gold and dollar balances) over the amounts required for payments of all types to the United States, the difference being presumed to indicate net dollar transfers to other areas. In addition, a major but unspecified part of the net amounts shown as paid out by international institutions was used for the benefit of European countries and indirectly served to increase the total sum of dollars available to European countries for transfers to other areas. The final figures in the last two columns (opposite "total, including international institutions") represent the net effect of all errors and omissions in the estimates. If there were no such errors and omissions, all other plus and minus entries would cancel out.

million in 1948,[1] were covered by dollars received through international settlements. Table 75 shows two main sources of such dollar funds, Europe and " international institutions ". In fact, however, most of the dollar funds came from Europe, since the greater part of the aid supplied by international agencies went to European countries, adding to the dollar resources they obtained in direct transactions with the United States.

Although the broad pattern of international dollar settlements remained similar, there were some significant modifications from 1947 to 1948. As in the case of Europe, all of the overseas areas shown sharply reduced their trade deficits with the United States in 1948. One of the groups—" all other countries ", including chiefly Far-Eastern countries and the British Dominions other than Canada—even became a net supplier of dollars to other areas to the extent of some $200 million in 1948. This might appear to indicate a return to pre-war trading patterns and the possibility for Europe to earn dollars from some of the countries included in this group. Such a conclusion would be premature, however, since the ability of the group to make dollar transfers to outside areas rested, as the table shows, on the receipt of some $800 million in grants and other types of assistance from the United States, including large post-war settlements in the Philippine Islands, the special aid programme to China and the civilian supply programme to Japan. As was also true of Europe, the ability of such countries to make dollar settlements to the other groups of countries shown was therefore dependent on special aid from the United States. It is perhaps more significant that the dollar deficits of the dependent territories of Western European countries were sharply reduced in 1948, and that as a result they became less dependent on dollar transfers from Europe. The position of Canada also showed a considerable shift ; it received dollars in 1948 from other areas in even larger amounts than in the preceding year, but, because of a severe reduction in its trade deficit with the United States, it was able to use the dollars to build up its balances in the United States and thus to make up for some of the heavy depletion of these balances in 1947.

The most complete change, however, was in the position of European countries not participating in the O.E.E.C., principally the Eastern European countries. In 1947 this group of countries had a relatively large excess of imports from the United States, covered principally by aid received in the final stages of the U.N.R.R.A. programme. In 1948, on the other hand, their deficit on trade and services with the United States was reduced to small proportions and was more than offset by personal remittances and capital movements from the United States.

3. Europe's Overseas Exports

Exports to Soft-currency Areas

In Chapter 4 the possibility was foreseen that, if the vigorous rise in Europe's exports which contributed towards reducing the balance of payments deficit in 1948 were continued at the same rate of expansion as in the last three years, the total volume of exports would become equal to the current volume of imports within a relatively short period of time. This, however, assumed terms of trade no less favourable than the relationship between export and import price levels in 1938. It was also seen in the previous chapter, however, that the changes in relative levels of world prices for primary goods and manufactured goods have worked to Europe's serious disadvantage. While European countries have largely been able to offset this disadvantage by the relatively high levels of their export prices compared with American prices for similar goods, this, as previously mentioned, entails the risk that further export expansion may become increasingly difficult unless European prices become more competitive. As Table 76 shows, the share of European exports to affiliated currency areas is very large and has shown a marked tendency to increase in comparison with pre-war. This phenomenon is not new to the post-war period, since the pre-war data reveal that there was already a pronounced diversion between 1928 and 1938 (partly caused by the economic depression in the United States), but for virtually all important trading countries the tendency has been accentuated since the war. The only significant exception has been the Netherlands, where exports to its own overseas territories have taken a smaller share of the total than in 1938, largely as a result, however, of the serious limitations on trade resulting from post-war strife in Indonesia. The most striking instance of export diversion to overseas soft-currency areas is provided by France, where the share of the French overseas territories rose progressively from about 61 per cent in 1938 to almost 75 per cent of total French overseas exports in 1948.

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[1] Like other figures for 1948 in Table 75 and in the text relating to the table, the figure of $1,100 million is the annual rate for the first nine months of the year.

Table 76

EXPORTS TO OVERSEAS COUNTRIES AFFILIATED WITH EUROPEAN CURRENCY AREAS [a]

Percentages of each country's total overseas exports

Exporting country	1928	1938	1947	1948
United Kingdom	56.2	63.1	65.1	65.9
To overseas Sterling Area	51.4	59.6	62.4	63.5
To other affiliated areas	4.8	3.5	2.7	2.4
France	55.3	67.3	74.8 [b]	77.6 [b]
To French overseas territories	48.0	60.6	71.6	74.2
To other affiliated areas	7.3	6.7	3.2 [b]	3.4 [b]
Netherlands	62.8	61.1	63.0	67.2
To Dutch overseas territories	37.8	38.9	31.1	31.2
To other affiliated areas	25.0	22.2	31.9	36.0
Belgium-Luxemburg	29.4	34.8	[c]	41.4
To Belgian overseas territories	6.9	7.0	8.0	11.5
To other affiliated areas	22.5	27.8	[c]	29.9
Italy	20.4	11.1 [d]	25.0	29.1
Sweden	19.4	18.3	18.6	28.9
Norway	24.4	12.5	31.5	40.0
Switzerland	26.1	24.7	20.0	19.9
All countries listed	50.0	53.0	57.3	58.8

Sources. — The figures for 1928 and 1938 are derived from *The Network of World Trade*, League of Nations, 1942; for 1947 and 1948, from national trade statistics.

[a] The percentages represent exports to the overseas Sterling Area and to the dependent overseas territories of France, the Netherlands, Belgium and Portugal (excluding the Azores and Madeira) as defined in 1948; they do not include exports to former Italian territories in Africa.

[b] The percentage of French exports to other affiliated areas in 1947 and 1948 may be slightly under-estimated owing to the difficulty of distinguishing, in French trade statistics, between exports to some affiliated areas and exports to other overseas areas in Africa and America.

[c] In 1947, Belgium's exports to affiliated areas other than her own were between 27 and 33 per cent of her total overseas exports; to all affiliated areas they were between 35 and 41 per cent. It is not possible to be more precise since Belgian trade statistics for 1947 do not specify exports to the smaller countries. In calculating the percentage which all countries listed exported to affiliated areas in 1947, a figure of 38 per cent has been taken for Belgium.

[d] The low proportion of Italy's exports in 1938 to "overseas countries affiliated with European currency areas", as defined in footnote [a], is partly attributable to the fact that an unusually large share of its exports then went to its former African colonies.

Table 77

EUROPE'S EXPORTS TO THE UNITED STATES BY ECONOMIC CLASSES IN CONSTANT AND CURRENT PRICES [a]

Millions of dollars in f.o.b. prices

Year	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures	Total
1938 prices :						
1938	90	8	107	157	206	568
1947 [b]	80	5	38	145	117	385
1948	76	5	56	153	170	460
Current prices :						
1947 [b]	147	16	84	284	273	804
1948	160	19	129	341	432	1,081

Source. — United States Department of Commerce. See Appendix B.

[a] Excluding Turkey.

[b] Annual rate for April-December. Figures for the first quarter are not available.

Exports to Hard-currency Areas

The diversion of exports to overseas countries with currencies linked to the Sterling Area and to the overseas territories of other European countries has its counterpart in the decline in the relative share of European exports taken by other overseas areas, particularly the hard-currency countries. From 1938 to 1948 the share of the United States and Canada declined from 14.5 to 12.7 per cent of British exports, from 29.8 to 20.5 per cent of Belgian exports, from 13.9 to 6.8 per cent of French exports and from 15.3 to 11.5 per cent of Netherlands exports, although in most of these instances there was a moderate recovery from still lower percentage shares in 1947. Exports to Latin-American countries (excluding the dependent territories of European countries) tended to be better maintained, although their share in the total overseas exports of the leading European trading countries also declined. The principal exception was in Belgian exports to Latin America, which increased from 21.2 per cent of total Belgian exports in 1938 to 27.2 per cent in 1948.

Because of the heavy impact of the dollar shortage on European trade and European currencies, the volume and character of European exports to the United States deserves closer examination.

In Table 77, European exports to the United States are shown according to the " economic classes " used in United States trade statistics. The figures in this table, expressed both in current and in 1938 prices, show the relatively small recovery in the volume of European exports to the United States from 1947 to 1948 and the low level of such exports compared with 1938. It must be recalled that imports into the United States were abnormally low in 1938, because of a sharp recession in that year which reduced imports by about one-third as compared with the 1937 level. It should also be noted that, contrary to what might generally be supposed, finished manufactures account for no more than 40 per cent of Europe's exports to the United States, in contrast with roughly two-thirds in the case of Europe's total exports to overseas countries. A relatively greater part of Europe's exports to the United States is in the category of industrial materials, both crude and semi-manufactured, among which wood-pulp, precious stones, and dressed and undressed furs are of leading importance.

In Table 78, the commodity composition of Europe's exports to the United States is shown by country of origin in 1938, 1947 and 1948. Because of the small and miscellaneous character of many of the items, no attempt has been made to reduce the figures to constant prices, and rough allowances for a two- to

Table 78

THE COMMODITY COMPOSITION OF EUROPE'S EXPORTS TO THE UNITED STATES

Millions of dollars in current f.o.b. prices

Product		United Kingdom	France	Belgium-Luxemburg	Netherlands	Switzerland	Italy	Turkey	Sweden	Finland	Germany	Czecho-slovakia	U.S.S.R.	Other European countries	TOTAL
1. Food	1938	4	4	2	3	2	18	2	1	—	2	1	2	32	73
	1947	3	2	2	5	—	14	9	1	—	—	—	2	47	85
	1948 a	7	4	1	6	4	27	10	1	—	—	—	2	58	120
2. Beverages	1938	32	8	—	—	—	2	—	—	—	1	—	—	3	46
	1947	33	7	—	1	—	2	—	—	—	—	—	—	3	46
	1948 a	37	9	—	—	—	3	—	—	—	—	—	—	4	53
3. Tobacco and manufactures	1938	—	—	—	3	—	—	11	—	—	—	—	—	12	26
	1947	—	—	—	—	—	—	43	—	—	—	—	—	12	55
	1948 a	—	—	—	—	—	—	37	—	—	—	—	2	11	50
4. Metals and manufactures	1938	6	2	5	3	1	—	—	4	—	6	1	3	5	36
	1947	45	1	4	—	1	2	2	12	—	—	1	10	17	95
	1948 a	31	3	12	8	1	13	8	13	—	8	—	23	16	136
5. Wood, cork, paper and manufactures	1938	2	5	—	—	—	1	—	36	17	4	1	2	8	76
	1947	3	2	—	—	—	3	—	73	38	—	—	—	18	137
	1948 a	4	6	1	1	—	4	—	76	41	—	—	—	20	153
6. Textiles and manufactures	1938	30	10	9	2	3	13	—	—	—	2	9	2	1	81
	1947	53	11	12	3	13	8	1	2	1	—	4	3	2	113
	1948 a	81	21	20	6	14	19	—	—	—	5	6	6	3	181
7. Leather, fur and manufactures	1938	7	7	2	1	—	1	—	1	—	1	4	13	3	40
	1947	8	5	2	—	1	3	2	1	—	—	1	43	3	69
	1948 a	11	7	3	—	1	3	2	2	1	—	1	40	4	75
8. Machinery	1938	3	1	—	1	1	—	—	1	—	6	—	—	—	13
	1947	8	—	1	—	1	—	—	1	—	—	—	—	1	12
	1948 a	22	1	—	—	2	1	—	1	—	1	—	—	1	29
9. Vehicles and parts	1938	—	—	—	—	—	—	—	—	—	1	—	—	—	1
	1947	7	1	—	—	—	—	—	—	—	—	1	—	—	9
	1948 a	32	3	—	—	—	—	—	—	—	—	1	—	—	36
10. Chemicals and related products	1938	6	6	3	5	1	—	—	—	—	19	—	1	3	44
	1947	11	4	3	2	4	1	—	—	—	1	—	—	—	26
	1948 a	12	3	4	2	5	1	—	—	—	3	1	1	2	34
11. Clocks and watches	1938	—	—	—	—	9	—	—	—	—	—	—	—	—	9
	1947	—	—	—	—	54	—	—	—	—	—	—	—	—	54
	1948 a	—	—	—	—	58	—	—	—	—	—	—	—	—	58
12. Precious stones and metals, jewellery, etc.	1938	3	2	14	3	—	—	—	—	—	1	2	1	—	26
	1947	6	4	30	4	2	1	—	—	—	—	6	—	3	56
	1948 a	5	4	34	5	5	1	—	—	—	1	4	3	6	68
13. Art works and antiques	1938	6	5	—	1	1	2	—	—	—	—	—	—	—	15
	1947	6	2	—	—	1	2	—	1	—	—	—	—	1	13
	1948 a	6	4	—	—	2	2	—	—	—	1	—	—	—	15
14. All other items	1938	19	4	7	8	5	5	2	2	1	20	9	2	12	96
	1947	22	8	5	11	6	8	—	1	1	5	10	12	16	105
	1948 a	35	8	9	15	6	11	1	3	—	9	10	2	9	118
TOTAL	1938	118	54	42	30	23	42	15	45	18	63	27	26	79	582
	1947	205	47	59	26	83	44	57	92	40	6	23	77	116	875
	1948 a	283	73	84	43	98	85	58	96	42	28	23	79	134	1,126

Source. — United States foreign trade statistics. For details, see Appendix B.

a Provisional, based on figures for ten months threefold price increase should be made in comparing the pre-war and post-war data. The table is perhaps as interesting for its blanks as for the figures which it does contain, the blanks indicating what is not exported to the United States and by whom it is not exported. Apart from the miscellaneous " all other " group, it is only in food that almost all European countries show some exports to the United States. Of the European exporting countries, the United Kingdom appears to be almost alone in having a fairly well rounded distribution of exports among the various groups of commodities. In general, European exports to the United States appear to consist largely of a number of specialized articles: whisky from the United Kingdom and a small amount of wine from France; tobacco from Greece and Turkey; foodstuffs from various European countries, consisting in part of products suited to the tastes of the immigrant population in the United States; furs from the Soviet Union, and cork from Portugal; watches from Switzerland and costume jewellery from Czechoslovakia; diamonds and other precious stones from Belgium, representing in reality a transit and improvement trade; works of art and antiques from the United Kingdom, France and Italy. Thus for most European countries the mainstay of exports to the United States is in a few special items. Trade is conspicuously small in products representing a cross-section of the kinds of goods which Europe is able to provide to the world in general, outside the United States.

4. EUROPE'S IMPORTS FROM OVERSEAS COUNTRIES

Decline in Imports from the United States

The primary factor in the reduction of Europe's balance of payments deficit with the United States from 1947 to 1948 was the sharp cut in imports by approximately $1,400 million. At the same time, Europe's imports from other overseas areas increased by about $2,200 million. Superficially, this change suggests a pronounced diversion of trade in line with the efforts of European countries to shift their purchases to non-dollar areas. However, it must be remembered that European imports from the United States in 1947 included large amounts of goods supplied in response to emergency needs,[1] such as grain, coal and textiles, of which there were exceptional shortages in Europe, and machinery, trucks and ships, and other capital equipment required to meet extraordinary reconstruction requirements. Apart from bread grain and coarse grain, there appeared to be relatively little shift to the United States as a source of supply for specific products ordinarily obtained from other overseas countries, although in many instances there were serious deficiencies in such supplies.

The progress of recovery in 1948 was reflected in the development of trade during the year. Table 79 provides a summary distribution of imports from the United States, by principal commodities and by groups of European countries, in the years 1938, 1947 and 1948, all expressed in 1947 prices. Although the commodity composition and, to some extent, the methods of valuation differ from those employed in the three basic tables of Europe's trade in food, raw materials, and manufactures presented in Chapter 4 (Tables 48, 52 and 56), a comparison of the data indicates that the principal decreases in Europe's imports from the United States in 1948 were overall decreases; that is, the declines in specific commodities were not, for the most part, compensated by increased imports of the same commodities from other sources. This appears to be particularly true of the decline of $90 million in meat, $80 million in dairy products, $170 million in textile manufactures, $70 million in wood and paper, $200 million in coal, $100 million in steel, and almost $500 million in machinery and vehicles (which include railway rolling-stock and ships) imported from the United States. As far as these major changes are

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[1] *Cf.* last year's SURVEY, especially pages 49 and 71.

Table 79

THE COMMODITY COMPOSITION OF EUROPE'S IMPORTS FROM THE UNITED STATES

Millions of dollars in 1947 f.o.b. prices

Commodity group	United Kingdom, Iceland and Ireland			Western European industrial countries			Mediterranean and Iberian countries			Scandinavian countries			Germany and Austria			Eastern European countries			U.S.S.R.			TOTAL		
	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948
1. Grain and cereals	236	83	7	152	268	258	22	240	286	27	35	21	43	483	597	—	36	—	—	—	—	480	1145	1169
2. Fruit and nuts	103	46	—	43	40	22	—	1	1	16	9	1	5	3	78	2	3	1	—	—	—	169	102	103
3. Meat and meat products	46	53	1	3	19	9	—	9	6	3	3	—	1	24	11	1	6	—	—	3	—	54	117	27
4. Dairy products	1	67	24	—	61	24	—	12	15	—	—	—	—	20	13	—	5	11	—	—	—	1	165	87
5. Animal and vegetable fats and oils, including oilseeds	46	10	3	1	42	34	—	14	3	1	7	4	1	18	38	2	14	3	—	—	—	51	105	85
6. Tobacco and manufactures	172	125	120	13	42	36	2	20	12	6	9	22	2	2	6	1	1	5	—	1	1	196	200	202
7. Coal and related products	—	16	—	—	180	85	—	81	43	—	58	7	—	3	1	—	—	—	—	—	—	—	338	136
8. Mineral oil and products	76	110	71	102	70	41	41	33	24	28	37	21	40	[a]	2[a]	2	2	1	5	4	1	294	256	161
9. Steel mill products	18	19	13	14	93	54	11	37	28	4	61	29	—	—	—	—	—	—	2	15	1	49	225	125
10. Copper and manufactures	13	31	25	22	13	23	9	7	6	9	6	3	34	2	5	19	2	3	—	—	—	106	61	65
11. All other metals and manufactures	18	35	30	16	47	34	8	13	7	9	37	9	15	2	8	7	4	2	21	3	—	94	141	90
12. Wood and paper	42	77	29	14	27	12	5	10	4	3	5	2	4	—	1	1	—	—	—	—	—	69	119	48
13. Raw cotton	152	70	60	130	86	69	77	43	32	30	4	11	66	18	62	89	17	20	4	—	—	548	238	254
14. All other textiles, fibres and manufactures	18	63	23	10	69	30	4	31	17	6	81	10	7	15	7	1	4	5	—	2	1	46	265	93
15. Hides, skins and leather manufactures	20	19	9	6	32	15	1	6	8	3	12	2	1	—	2	1	4	1	—	—	—	32	73	37
16. Rubber and manufactures	2	2	8	4	31	12	1	15	6	3	20	6	—	4	6	—	7	1	—	—	—	10	79	39
17. Machinery and vehicles	93	157	141	88	557	348	28	202	188	61	236	96	7	1	3	24	55	29	73	109	25	374	1317	830
18. Chemicals and products	25	51	43	22	93	77	4	31	34	7	27	18	10	10	18	2	10	5	1	2	—	71	224	195
19. All other items	88	163	31	45	126	68	7	56	73	19	63	9	7	83	157	6	53	11	8	10	1	180	554	350
TOTAL	1169	1197	638	685	1896	1251	220	861	793	235	710	271	243	688	1015	158	223	98	114	149	30	2824	5724	4096

Source. — United States foreign trade statistics. For details, see Appendix B.

[a] Complete data for mineral oil imports are not available.

NOTES. — The composition of the country groups is given in Table 46. Figures for 1948 are based on data for less than the full year.

concerned, neither the extraordinarily high level of imports from the United States in 1947 nor the reduction in 1948 appears to be due in any appreciable degree to shifts from the United States to other overseas supplying areas, but rather to changes in the volume and composition of Europe's post-war import requirements as recovery has progressed.

Shifts to non-dollar sources of supply also account for some of the reduction in imports from the United States in 1948, although to a smaller degree. For instance, imports of vegetable and animal oils and fats and of mineral oil from the United States declined in 1948, while there were substantial increases in imports of these commodities from other areas.

Grain, as was already mentioned, was the outstanding commodity of which imports from the United States in 1947 made up for the fall in food imports from other overseas sources. In 1948, imports from other overseas sources, taken collectively, increased substantially and might well have produced a decline in grain imports from the United States as a further step towards the pre-war pattern, had it not been for the poor crops of the previous year, which greatly increased total import requirements. Total grain imports from the United States therefore showed little change in volume from 1947 to 1948, but there was a considerable change in the relative quantities taken by the various importing countries in Europe. The United Kingdom, in particular, succeeded in covering its grain requirements to a much larger extent from non-dollar sources and virtually eliminated grain imports from the United States, but this was offset by an expansion of $100 million in imports from the United States into Germany and Austria.

The continued high level of grain imports was one of several exceptional features in Europe's imports from the United States which prevented the total volume from falling back to about the 1938 level. In fact, grain and machinery together account for most of the difference of some $1,300 million (in 1947 prices) between the 1948 and the 1938 levels of Europe's imports from the United States. Most other commodities had returned to, or even fallen below, the 1938 volume.[1] The major reductions were $300 million in cotton and $133 million in mineral oil and products.

It may also be said that the level of Europe's imports from the United States would have been little, if at all, higher than in 1938, but for the extraordinary relief and assistance programmes which affect the figures in two of the groups of countries shown in Table 79.

Thus, in Germany and Austria, and in Greece and Turkey (which are included in the group of Mediterranean and Iberian countries) imports from the United States remained at a high level. Increases in imports into these countries in several instances served to offset drastic reductions in imports of American goods into other European countries. For instance, the United Kingdom in 1948 completely eliminated its former imports of fruit and nuts from the United States, whereas imports of these items into Germany increased from negligible quantities in 1938 and 1947 to a volume comparable with that formerly taken by the United Kingdom.

The overall reduction of British imports from the United States was particularly severe, the total falling to little more than one-half of the pre-war volume. In addition to grain, fruit and nuts, several other products formerly of some importance in the trade—notably meat and fats and oils—virtually disappeared from British imports from the United States. Although the reduction in imports was partially a reflection of the general endeavour of the United Kingdom to curtail its imports of non-essentials, it also appears that the United Kingdom may have been more successful than other European countries in shifting the source of its imports of specific goods to non-dollar areas.

United States Licensing Policy

The decline in imports of United States goods into Eastern Europe and the Soviet Union was more drastic, although smaller in magnitude, than the reduction in such imports into Western European countries. As a result, the total volume fell far below the pre-war level. The changes in some of the commodities shown in Table 79—for example, the cessation of imports of grain and cereals and meat from the United States into Eastern European countries—indicate that the decline, as in other parts of Europe, was influenced to a substantial extent by the ending of the U.N.R.R.A. programme. Another factor in the low level of trade was the shift in cotton purchases to the Soviet Union and other non-dollar sources of supply.

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[1] The principal exception was the miscellaneous " all other " group, which includes gift parcels.

The general dollar shortage, however, would not appear to have been the dominant influence. As already noted, the Soviet Union was in the unique position of showing a surplus on merchandise trade with the United States in 1948, and the Eastern European countries as a group also had an excess of receipts in their total transactions with the United States.[1]

The low level of Eastern European imports from the United States in 1948 largely reflects the effects of American export licensing policy. When most of the powers of the United States Department of Commerce to control and allocate materials were due to expire at the end of February 1948, the legislation concerning export controls was extended for one year and all shipments to Europe were placed under licence. The purpose of the export-control system was changed at the same time. Previously, the main object had been to protect the domestic economy of the United States and to ensure the most effective use of scarce materials. As far as Western Europe was concerned, this function was thereafter performed chiefly by the United States Economic Co-operation Administration. The export-control mechanism was concentrated more on shipments to Eastern Europe as political and military considerations acquired an overriding importance following the deterioration of relations between the Soviet Union and the United States.[1]

The application of the new export controls at first resulted in an almost complete cessation of United States machinery exports to the Soviet Union and Eastern Europe, the total falling from $41 million in the first quarter to only $6 million in the second quarter of 1948. Thereafter, as the administrative apparatus became better organized and some of the delays were overcome, the number of export licences issued increased somewhat. The value of export licences approved in the third quarter remained, however, considerably below the value of licences applied for, and, as shown in Table 79, the volume of machinery exports in particular remained much smaller in 1948 than in 1947.

Imports from Other Overseas Countries

Measured in current prices, imports into Europe from countries other than the United States and Canada increased in total value by approximately $2,340 million, or about

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[1] *Cf.* Table 75.

[1] Some of these aspects of United States licensing policy were commented on as follows in the third quarterly report of the United States Secretary of Commerce:

> "Administration of controls over shipments to Europe has been considerably complicated by the periodic outbursts of unwarranted hysteria which have accompanied reports of shipments of goods to Eastern Europe. In clarification of the policies of the Department of Commerce in this connection, it may be pointed out that while there is no intention of establishing an embargo on exports to Eastern Europe, all license applications for shipment to this area are subjected to close scrutiny by an interdepartmental committee, on which the Departments of State, National Military Establishment, Interior, Agriculture, Commerce, the National Security Resources Board, and the Atomic Energy Commission are represented. The ultimate objective of this screening operation is to utilize our resources of materials to obtain from Eastern Europe scarce commodities needed by the United States and Western Europe while maintaining strict control over shipments of industrial materials having military significance. The success of the European Recovery Program rests in part upon the speedy increase in trade between Western and Eastern Europe. To the extent that such trade is restored, the material and financial demands on the United States in the next few years can be reduced and world economic recovery advanced."

(See *Export Control and Allocation Powers*, Third Quarterly Report to the President, the Senate and House of Representatives, by the United States Secretary of Commerce.)

Table 80

IMPORTS OF SELECTED EUROPEAN COUNTRIES FROM OVERSEAS MEMBERS OF THE STERLING AREA

Millions of dollars in current f.o.b. prices

Exporting country / Importing country	United Kingdom		Ireland		France		Netherlands		Belgium	
	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948
Australia	340.3	594.9	2.1	18.7	69.2	132.8	5.4	7.7	41.7	41.4
New Zealand	315.3	381.1	1.6	1.5	12.1	31.4	4.0	4.4	3.0	2.6
India, Pakistan, Burma, Ceylon	423.9	488.8	16.3	18.1	36.9	51.7	15.1	23.8	30.8	26.3
Union of South Africa	92.0	111.0	2.6	3.7	18.8	33.3	2.9	4.9	11.7	12.0
Other African countries of the Sterling Area	320.0	476.2	0.9	2.8	12.4	17.1	6.8	10.8	1.8	8.9
Other countries of the overseas Sterling Area [a]	261.3	326.8	3.6	4.0	39.0	67.8	5.3	8.4	6.6	8.0
TOTAL overseas Sterling Area	1,752.8	2,378.8	27.1	48.8	188.4	334.1	39.5	60.0	95.6	99.2
Ratio of imports from Sterling Area to total overseas imports (per cent)	*35.0*	*43.7*	*14.3*	*30.1*	*8.8*	*14.2*	*5.4*	*7.9*	*10.8*	*12.6*

Exporting country / Importing country	Switzerland		Italy		Sweden		Norway		Total	
	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948
Australia	5.6	8.0	39.7	49.6	7.9	14.2	2.7	4.5	514.6	871.8
New Zealand	0.6	0.8	2.2	3.4	1.9	4.7	0.9	1.3	341.6	431.2
India, Pakistan, Burma, Ceylon	7.7	9.9	19.7	30.0	9.0	18.9	3.3	4.1	562.7	671.6
Union of South Africa	2.0	2.5	35.9	12.4	3.6	6.0	1.6[b]	4.3[b]	171.1	190.1
Other African countries of the Sterling Area	1.5	5.4	3.0	1.7	6.4	13.4	4.2[b]	6.0[b]	357.0	542.3
Other countries of the overseas Sterling Area [a]	8.4	9.6	9.2	22.7	8.7	15.1	1.5	1.7	343.6	464.1
TOTAL overseas Sterling Area	25.8	36.2	109.7	119.8	37.5	72.3	14.2	21.9	2,290.6	3,171.1
Ratio of imports from Sterling Area to total overseas imports (per cent)	*6.6*	*8.3*	*12.6*	*13.5*	*5.7*	*18.5*	*5.0*	*10.2*	*20.6*	*27.7*

Source. — Research and Planning Division, Economic Commission for Europe. See Appendix B.

[a] Includes Iraq and British dependent territories in the Western Hemisphere and Asia.

[b] Norway's imports from the mandated territory of South-West Africa are included with imports from the Union of South Africa.

35 per cent, from 1947 to 1948.[1] As is shown in the figures below, about one-half of this increase was the result of imports from the Sterling Area.

Area	Millions of dollars in current prices
Sterling Area	+ 1,135
French overseas territories	+ 250
Latin America [a]	+ 395
Other Asia and Oceania [a]	+ 360
Other Africa [a]	+ 200
TOTAL, excl. United States and Canada	+ 2,340

[a] Excluding countries of the Sterling Area and the French overseas territories.

The general increase from 1947 to 1948 in the importance of the Sterling Area as a source of supply for Europe is brought out in Table 80, covering imports into nine leading countries which together accounted for roughly four-fifths of the total rise in European imports from the Sterling Area. For these countries as a group, the share of the Sterling Area in total imports from overseas countries rose from 21 to 28 per cent. Although quantitatively the increase in imports into the United Kingdom was of greatest importance, the percentage rise was particularly large in the case of Ireland, France, Sweden and Norway. Belgium and Italy, on the other hand, increased their imports from the overseas Sterling Area only very moderately, either in absolute or in relative terms. As is shown in Table 80, all the various parts of the overseas Sterling Area contributed to this expansion, the largest increases being shown by Australia and the African colonies.

In addition to grain, the most important items accounting for the increase in European imports from countries other than the United States were sugar, fats and oils, wine, other foods, rubber, petroleum, and metals and ores.[2] These principal items account for an expansion of some $1,350 million, measured in 1947 prices. A substantial part of the remainder of the increase from 1947 to 1948 in the value of imports from overseas countries other than the United States and Canada was attributable to the increase in prices discussed in the preceding chapter.

An exhaustive examination of the relative share of price and volume changes in the overall expansion of imports from areas other than the United States is not possible from the available data, but some indication is given by Table 81, covering a selected list of goods imported into the United Kingdom from the overseas Sterling Area for which both quantity and value figures are provided in the British trade statistics. These products made up $2,000 million out of the United Kingdom's total imports of $2,380 million from the Sterling Area in 1948, and accounted for almost all of the increase of $626 million shown in Table 80 in the value of such imports from 1947 to 1948. Measured in constant 1947 prices, the increase in British imports of the goods listed in Table 81 would have been $357 million, representing a rise of 25.6 per cent in volume. The remainder of the increase is attributable to a price rise of some 15 per cent. It will be noted that out of the commodities covered by Table 81, price increases were particularly marked in oilseeds and nuts, cocoa and raw wool, whereas, in most other commodities, the rise in volume was relatively more significant.

Despite the marked increase in the volume of imports from the overseas Sterling Area into the United Kingdom from 1947 to 1948, Table 81 indicates that, for the commodities covered, the overall volume nevertheless remained about 17 per cent less than in 1938, the difference being chiefly caused by smaller imports of grain, sugar, fruit and vegetables, tea, and raw wool.[1]

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[1] Canada was the only other major source, along with the United States, from which European imports decreased from 1947 to 1948, the decline (from $1,157 million to $1,059 million) being, however, much less drastic than the reduction in imports from the United States.

[2] Indicated by comparative analysis of Tables 48 and 52 in Chapter 4, and Table 79 in the present chapter.

[1] In the overall volume of British imports from overseas in 1948 compared with pre-war, the lower level of imports from the United States and the overseas Sterling Area appears to have been offset chiefly by a higher level of imports from Latin America, largely in sugar and meat, and by larger imports of petroleum from the Middle East, the total volume of imports into the United Kingdom from all overseas areas thus being very close to pre-war in 1948 (*cf.* Chapter 4).

Table 81

IMPORTS INTO THE UNITED KINGDOM OF SELECTED COMMODITIES FROM OVERSEAS MEMBERS OF THE STERLING AREA

Millions of dollars in c.i.f. prices

Total imports by product and principal country of origin	1938		1947	1948	
	Value in 1938 prices	Value in 1947 prices			Value in 1948 prices
Grain and flour	*100*	*401*	*23*	*194*	*179*
Australia	70	267	17	179	162
Sugar	*61*	*149*	*47*	*90*	*96*
Australia	17	45	2	23	25
British West Indies	8	22	29	32	35
Mauritius	18	39	2	24	23
Fruit and vegetables	*46*	*104*	*45*	*71*	*66*
Australia	8	15	1	11	13
British West Indies	19	41	11	12	12
South Africa	11	30	24	30	24
Meat	*127*	*180*	*193*	*194*	*206*
Australia	54	80	69	62	67
New Zealand	72	94	119	125	132
Butter	*121*	*169*	*131*	*157*	*185*
Australia	47	68	40	54	64
New Zealand	71	97	91	102	121
Oilseeds and nuts	*60*	*175*	*162*	*181*	*235*
British West Africa	17	41	100	112	152
India	28	117	17	15	15
Feeding-stuffs	*28*	*72*	*6*	*11*	*12*
Burma	11	28	4	5	6
Tea	*139*	*222*	*180*	*190*	*223*
Ceylon	51	88	58	54	64
India	82	130	118	132	154
Cocoa	*15*	*62*	*53*	*52*	*85*
British West Africa	14	59	51	50	81
Tobacco	*17*	*46*	*42*	*58*	*59*
Southern Rhodesia	6	15	19	36	33
Mineral oil, refined	*17*	*25*	*38*	*34*	*43*
British West Indies	15	22	26	23	30
Iron ore and concentrates	*1*	*2*	*7*	*9*	*9*
Sierra Leone	1	2	7	9	9
Copper	*20*	*40*	*59*	*66*	*76*
Northern Rhodesia	19	38	58	66	76
Raw wool	*167*	*282*	*229*	*252*	*331*
Australia	91	160	128	145	196
New Zealand	45	65	69	74	87
South Africa	21	41	22	22	34
Raw cotton	*10*	*23*	*10*	*10*	*13*
British East Africa	2	5	4	7	10
India	6	16	3	1	1
Other textile materials	*21*	*76*	*43*	*55*	*64*
British East Africa	2	7	17	21	26
India	19	68	25	33	38
Rubber	*47*	*71*	*106*	*107*	*113*
British Malaya	39	57	82	86	91
TOTAL from Sterling Area	997	2,099	1,374	1,731	1,995

Source. — Official British trade statistics adjusted for price changes.

Chapter 7

INTRA-EUROPEAN TRADE AND PAYMENTS

1. General Characteristics in 1948

Intra-European trade was significantly larger in 1948 than in 1947, the overall volume in constant prices having increased by some 25 per cent. The increase was, however, very unevenly distributed and the degree of recovery varied widely compared with pre-war trade levels. In relative terms, as Table 82 shows, the increase was largest in trade among Eastern European countries. Before the war this trade was very small, but it has since expanded greatly, and by 1948 had reached almost three times the pre-war volume. Trade among Western European countries rose by some 20 per cent from 1947 to 1948, but still remained well below the 1938 level. This low level of Western European trade was chiefly accounted for by Germany, whose export and import trade with Western European countries amounted to nearly $2,000 million in 1938, but to less than one-third of that amount in 1948 (expressed in 1938 prices). Trade among other Western European countries returned to the pre-war level, but did not compensate for the short-fall in their trade with Germany, which before the war accounted for almost 40 per

Table 82

THE LEVEL OF TRADE IN WESTERN EUROPE, IN EASTERN EUROPE AND BETWEEN WESTERN AND EASTERN EUROPE

Millions of dollars in 1938 f.o.b. prices

Year	Trade among Western European countries		East-West trade		Trade among Eastern European countries		Total intra-European trade	
	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*	Millions of dollars	*Index*
Including Germany								
1938	4,993	*100*	1,751	*100*	168	*100*	6,912	*100*
1947	2,964	*59*	566	*32*	259	*154*	3,789	*55*
1948	3,583	*72*	731	*42*	483	*288*	4,797	*69*
Excluding Germany								
1938	3,024	*100*	1,160	*100*	168	*100*	4,352	*100*
1947	2,645	*87*	543	*47*	259	*154*	3,447	*79*
1948	3,045	*101*	679	*59*	483	*288*	4,207	*97*

Notes. — This table is derived from Table 46.

In order to arrive at the regional grouping shown here, the country groups in Table 46 have been combined as follows: Western European countries include Groups I to V, Eastern European countries include Groups VI and VII. Since Germany is included in Western Europe, the level of trade among Eastern European countries is the same in the upper and lower sections of the table. The figures for trade among Western European countries, excluding Germany, were calculated on the basis of the methods used in the preparation of Table 46 which are described in Appendix B.

cent of the total trade among Western European countries.

The low level of Germany's exports and imports also helps to explain the relatively small volume of post-war trade between Eastern and Western European countries which, before the war, constituted roughly one-quarter of total intra-European trade and was equal in size to about one-third of Europe's total imports from overseas countries. In spite of a substantial increase from 1947, trade between Eastern and Western European countries[1] in 1948 was equal to only 60 per cent of the 1938 volume excluding Germany, and to only 42 per cent of the pre-war volume if Germany (which before the war accounted for 34 per cent of the total) is included.

The principal facts regarding the commodity composition of intra-European trade in 1948 have already been analysed in Chapter 4. It was seen there that trade in food and industrial materials, which accounted for about 70 per cent of the total volume of goods traded among European countries before the war, remained severely depressed in 1948 at less than two-thirds of the 1938 level, whereas intra-European trade in finished manufactures was somewhat higher at about 80 per cent of the pre-war amount. The extent of the increase from 1947 to 1948 was, however, much greater in food and industrial materials, since the growth of trade in finished manufactures was adversely affected by the tendency of most European countries to cut down their purchases of less essential goods. The rise since 1947 in intra-European trade in food was concentrated in the more basic and simple products, including particularly grain from the Soviet Union and fish supplied chiefly by Norway and Iceland (fish being the only major food product in which trade increased appreciably above its pre-war volume). Among industrial materials, two commodities—coal and steel—accounted for the bulk of the increase in trade. Among manufactured goods, trade in machinery and other capital equipment rose by 40 per cent from 1947 to 1948, whereas trade in consumers' goods increased but little, or, in most instances, definitely declined. In general, therefore, the composition of intra-European trade in 1948 was less concentrated on manufactures than in 1947, and within manufactures there was an increased emphasis on essential products.

The smaller volume of intra-European trade in manufactures and industrial materials in 1948 compared with 1938 continued to reflect the low level of Germany's exports, although these exports expanded considerably from 1947 to 1948 and, in addition, other European suppliers developed their production and exports to replace Germany in certain important fields, notably machinery. Despite their small size, Germany's exports in intra-European trade greatly outweighed its imports, which came predominantly from overseas sources, chiefly the United States. The resulting distribution of Germany's exports and imports gives rise to special problems which will receive closer attention in a subsequent section.

Although the overall volume of intra-European trade remained low in 1948 compared with 1938, it is noteworthy that a substantial increase over 1947 was achieved despite serious difficulties in the payments field.

In last year's SURVEY the growing payments difficulties in intra-European trade were analysed in some detail. These difficulties were attributed to the disruption of the pre-war multilateral trading pattern based on the large import surplus of the United Kingdom and the large export surplus of Germany, and to the failure to develop an alternative multilateral pattern after the war. Because of the seriously unbalanced creditor and debtor positions of most trading countries, credit facilities and reserves of gold and foreign exchange were increasingly exhausted, and this in turn led to a general trend towards closer bilateral balancing of accounts.

The year 1948 brought significant changes in intra-European trade and payments relationships without, however, producing a more stable pattern of trade along multilateral lines. In general, the pressure towards bilateral balancing continued and was expressed in some of the trade adjustments carried out in 1948. In other cases temporary relief was found through the provision of new resources, notably the drawing rights established among Western European countries as a counterpart to American aid under the European Recovery Programme. Another significant feature of the year was the change in the position of sterling due to the emergence of a large surplus in the United Kingdom's trade with Western European countries. This meant, first, that Western European countries which had acquired sterling balances in previous years were able to draw on them in 1948 to cover part of their increased imports from the United Kingdom and other countries in the Sterling Area, although new lines of strain developed as these resources were depleted. At the same time, the United Kingdom developed an import surplus in trade with the countries of Eastern Europe, which meant that they were able to use their current earnings of sterling for settling balances with third countries. The greater acceptability of sterling resulting from the increased supply of goods from the Sterling Area, and also from the relatively low level of British imports from European countries, strengthened the pound as an international means of payment among a considerable number of both British and non-British countries. This increased acceptability and use of sterling gave some immediate relief from the necessities of bilateral balancing, and may also be an indication of the emergence of a new multilateral trading pattern whereby trade balances among a number of European, as well as non-European, countries could be cleared under a system of limited sterling transferability.

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[1] The figures relate to the sum of the trade moving in both directions between Eastern and Western European countries.

Thus, while payments difficulties and the lack of general currency convertibility continued to hamper the growth of intra-European trade, the financing of some of the main lines of strain by new resources or by the depletion of sterling balances helped to maintain or increase trade in certain instances where reductions would otherwise have been necessary.

Probably a more generally valid and important explanation of the increase in intra-European trade in 1948, despite payments difficulties, was simply the continued rise in production throughout Europe. The resulting increase in the supply of essential goods available for export made it possible to achieve in many cases a closer bilateral balancing of accounts, while raising the volume of trade. In certain cases, however, the need for closer bilateral balancing led to a restriction of trade.

Whether the expansion of intra-European trade will continue will depend partly on whether or not the pattern of trade and payments among European countries evolves in a way which will avoid the necessity for balancing trade by applying import restrictions. The nature and scope of the difficulties in this field can best be judged against the background of the intricate adjustments and adaptations which were necessary in bilateral trading relationships during the past year. The record indicates that many of the changes made were of a transitional character which could scarcely be relied upon to produce a sound basis for the future expansion of intra-European trade.

2. TRADE AND PAYMENTS RELATIONS IN WESTERN EUROPE

The Changed Position of the United Kingdom

The most striking change in intra-European trade in 1948 was in the position of the United Kingdom. It began the year 1948 owing large sterling balances to other Western European countries which they had been able to build up during and after the war. The overall debtor position of the United Kingdom was one of the major obstacles preventing the carrying-out of multilateral compensation arrangements at that time. While, in 1947, the United Kingdom had a trade surplus of $140 million with Western Continental Europe, this had been more than offset by a deficit of

$240 million in invisible transactions, which included substantial relief and reconstruction contributions (particularly to Italy and Greece), military and other disbursements in Belgium, occupation costs and civilian supply programmes in Germany and Austria, and tourist payments to France and Switzerland. Disbursements under these headings more than outweighed British shipping and other invisible receipts from these countries. In 1948 the situation was very different. The decline in the large post-war disbursements for relief and military costs in Europe, the reduction in the United Kingdom's share of the civilian supply programme in the Bizone, and tighter restrictions on travel to the Continent, changed the net balance on invisible transactions to a surplus of $92 million with Western Continental European countries in 1948. At the same time, the surplus on merchandise account with these countries rose to $228 million; the United Kingdom's exports increased substantially, while its imports continued to be restricted.[1] With the exception of Switzerland and Belgium, most Western European countries consequently tended to be in deficit in their sterling transactions in 1948.

In addition to the increased demand for sterling to finance trade and invisible transactions with the United Kingdom itself, most Western European countries also had greater need of sterling to finance their increased purchases from the overseas Sterling Area. The data on this subject given in Table 80, Chapter 6, show that, with the notable exception of Belgium, most European countries increased their imports substantially from overseas members of the Sterling Area.

The building-up of the United Kingdom's current account surplus with other Western European countries in 1948 was made possible, to a considerable extent, by the utilization of the sterling balances which those countries held at the beginning of the year. France, for instance, began the year with sterling balances amounting to $205 million, chiefly as a result of the liquidation of French holdings of British securities and other assets. Although France had a small surplus on merchandise trade account with the United Kingdom in 1948, the total deficit of the French monetary area with the Sterling Area ran for a large part of the year at a rate of $30 million a month. This was financed by the use of the sterling balances, fresh credits from the United Kingdom, and, during the last quarter of the year, $70 million of the drawing rights granted by the United Kingdom under the Payments Scheme among the Western European countries participating in the Organization for European Economic Co-operation.

It was chiefly with its two main creditor countries—Switzerland and Belgium—that the United Kingdom continued to have a persistent deficit in 1948. Following gold losses of $70 million in 1947 and the use of $20 million still available from the Swiss credit of March 1946, Switzerland and the United Kingdom agreed to endeavour to establish equilibrium in the accounts between Switzerland and the Sterling Area. Nevertheless, in spite of a small surplus on merchandise trade in favour of the United Kingdom, the total deficit of the Sterling Area with Switzerland amounted to more than $25 million for the first ten months of 1948, and the difficulties of achieving a bilateral balance increased at the end of the year because of the decline in British exports.

The United Kingdom's payments relations with Belgium have posed even more difficult problems. During 1947 the United Kingdom lost $270 million to Belgium in gold and dollars, either through direct payments or through the conversion of sterling into dollars and, in addition, Belgium's sterling holdings increased by some $75 million. Although the United Kingdom itself had a surplus in merchandise trade with Belgium, these settlements were necessitated by military payments, repatriation of Belgian capital and accumulated income, as well as by sterling transfers to Belgium from the Sterling Area and from third countries. An agreement was reached with Belgium in March 1948 covering a period of eighteen months from the beginning of the year, under which accounts were to be balanced and sterling transfers from other countries to Belgium restricted. The persistence of the deficit in 1948 after this agreement, in spite of the continued merchandise trade surplus of the United Kingdom, is less easy to explain. Belgian surpluses with the overseas Sterling Area and Egypt, some authorized sterling transfers from other countries, and the trade surplus of the Belgian Congo with the Sterling Area, do not appear to account fully for the still considerable gold and dollar payments made by the United Kingdom during the year. A continuing strain in the financial relations between the United Kingdom and Belgium is indicated by the exhaustion, in the two months of October and November 1948, of the $22.5 million of drawing rights established in the United Kingdom's favour by Belgium under the O.E.E.C. Payments Scheme for the entire period from October 1948 to March 1949. British exports to Belgium, as in the case of Switzerland, also fell off in the last quarter of 1948. However, under the agreement covering the first six months of 1949, Belgium has undertaken to seek ways to increase its imports from the United Kingdom and to try to substitute sterling for dollar imports as far as possible.

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[1] The figures cited in this paragraph are from the *United Kingdom Balance of Payments, 1946 to 1948 (No. 2)*, Cmd. 7648, March 1949. They refer to the United Kingdom's transactions with all the member countries of the O.E.E.C. except Ireland.

Western European Creditor Countries

Both Belgium and Switzerland, which had earlier made a notable contribution to the post-war restoration of intra-European trade by their liberal import policies and the extension of credits, were, in 1948, no longer prepared to grant fresh credits on any substantial scale and tended rather to press for the repayment of credits extended earlier. Their debtors, on the other hand, were equally unable to settle their deficits with Belgium and Switzerland in gold or dollars, except when they were obliged in particular instances to pay for essential goods. Both these creditor countries consequently tended to move towards a closer bilateral balancing of their accounts with other countries.

In the endeavour to utilize its demands for imports to sustain its exports wherever possible, Switzerland reduced or eliminated payments in free exchange for imports from some of its trade agreement partners to whom such payments had previously been made. For instance, the trade agreement of December 1948 with Denmark put an end to partial payment in free dollars for Swiss purchases of Danish goods. Austria also ceased to be accorded relatively free use of the proceeds of its exports to Switzerland for purchases in third countries.

The early recovery of production in Belgium after the war and the saturation of the domestic market released a substantial volume of goods for export to other European countries. The size of the export surplus was partly accounted for by the fact that Belgium was able to charge high prices for the steel and other scarce commodities which it was in a position to supply. Moreover, Belgium was able to press its trading partners to accept considerable quantities of less essential goods as a condition for the sale of scarce items. The surplus on merchandise trade, however, was probably of less consequence in Belgium's creditor position than receipts from services and capital transfers. With the exhaustion of credit facilities extended by Belgium under its trade agreements, the financing of Belgium's surplus with other European countries became increasingly difficult. The situation was further complicated by increasing price competition and by the general increase in the supply of essential goods, which made it more difficult for Belgium to require its trading partners to buy textiles and other consumer goods. A new financial support for Belgium's exports was provided in the drawing rights of $218.5 million granted by it under the O.E.E.C. Payments Scheme as a condition of dollar assistance from the United States under the European Recovery Programme. The amount of these drawing rights appears to be inadequate, however, to sustain the current level of Belgian exports, as indicated by the recent interruption of Belgium's trade with France.

Despite its heavy deficit with overseas countries, Italy developed a substantial surplus of exports over imports in its post-war trade with Western European countries. This is attributable not so much to the size of its exports as to the low level of its imports from Western European countries, which in 1948 made up only one-quarter of total Italian imports compared with one-half of the total before the war. These imports tended to decline during 1948 in response to the domestic deflation and business recession. Italy's trading partners were unwilling to make gold or dollar payments to settle their deficits, particularly in view of the commodity composition of Italian exports, which include considerable amounts of less essential goods. Thus, Italian exports have also begun to fall off somewhat since the end of the year.

Italian imports from the overseas Sterling Area also tended to decline after the monetary agreement with the United Kingdom at the end of November 1948, which brought the lire-sterling rate into line with the official dollar-sterling parity. Before the agreement, the low rate of exchange for the pound in Italy had stimulated imports from the Sterling Area, and the resulting pattern of trade had led to the establishment of drawing rights of $25 million by the United Kingdom in Italy's favour under the O.E.E.C. Payments Scheme and to the concurrent release of another $45 million of Italian sterling balances to be used before the drawing rights. It appears that Italy did not use these resources as expected owing to the decline in its imports from the Sterling Area.

Western European Debtor Countries

France presented a paradoxical situation in its trade with other Western European countries in 1948. Following a substantial export surplus in 1947, it developed a deficit position far larger than its moderate surplus of imports from other European countries in 1948 would suggest. France exhausted its holdings of sterling during the year, as previously noted, and also certain new credits granted by other countries. Its drawing rights of $333 million under the O.E.E.C. Payments Scheme, the largest of any country, have already proved insufficient in some directions. In addition to its payments difficulties in Europe, its deficit with overseas countries is one of the largest of any European country. Yet the volume of total French exports at the end of 1948 had risen above the 1938 level and compared favourably with the performance of most other European countries. The explanation of the paradox would appear to lie largely in the changed distribution of French exports, more than 40 per cent of which were absorbed by the French overseas territories in 1948 as against 27 per cent in 1938.[1] As a result, French exports to the overseas territories in 1948 were almost 30 per cent greater in volume than in 1938, whereas imports from the overseas territories were some 40 per cent less than before the war. Among the factors contributing to the reorientation of French trade would appear to be the greater ease of exporting to the protected franc monetary area, the decrease in supplies available from the overseas territories, and capital transfers from France to the overseas territories, which naturally influenced the trade movements.

Another part of the explanation of the French payments difficulties since the war lies in other types of capital movements, such as under-valuation of exports and over-valuation of imports, non-repatriation of the proceeds of exports, and diversion to the black markets of receipts from tourist expenditures and other invisible payments.[2]

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[1] These percentages are based on total French exports, including exports to other European countries. They are not, therefore, comparable with those in Table 76, which show French overseas exports only.

[2] See *Problèmes économiques* (Secrétariat général du Gouvernement) 9 November 1948, pp. 4-6, giving a summary of an article by M. Pierre Uri. " Part of the external deficit is undoubtedly only apparent. So long as the rise in prices destroys confidence in the national currency, exporters will try to build up holdings in stable currency and the simplest way to do this is to under-value exports in their declarations to the authorities and leave the balance abroad. It is noteworthy that the average unit value of exports in 1947 was steadily falling while the index of wholesale prices was continuing to rise. And it is quite obvious that the foreign exchange brought in by tourists serves primarily to feed the black market without providing the means to pay for the most essential imports. . . It may be presumed that clandestine French holdings of foreign assets have increased considerably more than known French holdings of such assets have declined. "

In its payments difficulties in Europe, the principal lines of strain experienced by France have been with the United Kingdom, Switzerland and Belgium. Although France had a small surplus of exports to the United Kingdom in 1948, this was more than outweighed by the growing volume of French imports from the overseas Sterling Area during the year. The problem with Switzerland and Belgium was aggravated by the decline of French exports to those countries during 1948 in the face of growing competition. Payments for services and financial transfers added to the problem in each instance.[1] To permit the continuation of its exports to France, after a standstill at the beginning of the year, Switzerland, in March 1948, granted special short-term credits of $9.5 million, which brought the French debit balance back under the agreed ceiling of $70 million. France's financial difficulties with Belgium became even greater during 1948. At the beginning of the year, trade was virtually halted and was resumed only after France agreed to settle immediately in gold part of the debt which had accumulated over and above the agreed credit ceiling. The basic difficulty persisted, however, and at the close of the year trade again came to a standstill after France had practically exhausted the $30 million drawing rights granted by Belgium for the period up to the end of March 1949 under the O.E.E.C. Payments Scheme.

Despite the acute character of France's difficulties with its neighbouring countries in 1948, the turn of the year brought some prospects of improvement. The strengthening of the internal financial situation and the downward movement of prices may be expected to increase incentives to export and to discourage the hoarding of gold and foreign exchange.

As in the case of France, the principal payments difficulties of the Netherlands arose largely in its transactions with Belgium. Already in 1947 the Netherlands had found it necessary to transfer over $50 million in gold, dollars and sterling to Belgium and had also built up a guilder debit balance of the same magnitude which it owed to Belgium. In 1948 the Netherlands' deficit with Belgium on merchandise trade account became somewhat larger, although trade expanded in both directions. Further gold and dollar transfers were necessary in the first half of the year, although the Netherlands obtained some new credits from Belgium and also acquired $18.5 million in Belgian francs from the International Bank and $6.75 million in Belgian francs from the International Monetary Fund. In the second half of the year, the Netherlands curtailed imports from Belgium and thereby alleviated the payments problem to some extent. The large drawing rights amounting in total to $72.5 million which were established by Belgium for the Netherlands under the O.E.E.C. Payments Scheme would appear to be sufficient to cover the current deficit and thereby to ease one of the principal lines of strain in Western European trade.

Payments difficulties with Belgium were again of paramount importance in the case of Norway, and resulted in a number of trade interruptions during 1948. In 1947, Norway transferred sterling to Belgium's account and subsequently purchased Belgian francs from the International Monetary Fund, but the reduction of imports from Belgium to one-half of the 1947 level was the chief factor in relieving the payments strain in 1948. Norway's sterling receipts rose in 1948 partly because of the rise in its exports to the Sterling Area and partly because its shipping charges were being paid increasingly in sterling in place of the dollar payments which Norway had been able to demand during the earlier shipping shortage. This increase was, however, offset by larger purchases from the Sterling Area and by substantial payments to the United Kingdom as well as to Sweden for purchases under the shipbuilding programme. Thus, while the dollar position deteriorated, there was a further running-down of sterling balances.

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[1] It has been estimated that payments for Belgian workers employed in France and for the use of the port of Antwerp were at an annual rate of $60 million.

The deterioration in Sweden's payments position continued in early 1948, as the severe reduction of imports from dollar sources was accompanied by an increase in purchases from soft-currency countries, chiefly in the Sterling Area. In place of a surplus with both the United Kingdom and the overseas Sterling Area in 1947, Sweden developed a sterling deficit of almost $60 million in 1948, most of which was in trade with the United Kingdom. As in the case of France, a decrease of $50 million in Sweden's accumulated sterling balances largely covered the deficit. The agreement with the United Kingdom for the year 1949 foresees a closer balancing of trade ; Sweden is to grant fewer licences for imports from the Sterling Area and the United Kingdom undertakes to increase considerably its purchases from Sweden. It was also agreed there should be some relaxation in sterling payments between Sweden and other countries within the sterling transferable accounts area.

With Switzerland, Sweden had a chronic import surplus aggravated by substantial payments on invisible account. The agreement of April 1948, covering the following two years, provided for a strict balancing of payments between the two countries. The proceeds of Swedish exports were to be applied to the settlement of old debts as well as the current deficit on service transactions, and Swiss exports to Sweden were to be reduced by two-thirds, or from more than $100 million in the two years 1946-1947 to less than $40 million during the period covered by the new agreement. The agreement further provided that a fixed part of Swiss exports would consist of essential goods and another part of less essential goods.

Sweden's payments position has recently tended to improve as imports fell off in response to the decline in inflationary pressure and the imposition of severe import restrictions. Returns from exports were also larger in 1948, partly because of an increase in the quantity of exports and partly because export prices were, on the average, somewhat higher than in 1947, despite a downward tendency in recent months.

The Western European Payments Scheme

In spite of an overall rise of some 20 per cent (or 25 per cent measured in current values) in the volume of trade among Western European countries from 1947 to 1948, its development during the past year was, as the above analysis has shown, uneven and subject to serious payments difficulties. Several instances of severe cuts in trade have been noted. Perhaps the most significant of these was that embodied in the new trade agreement between Switzerland and Sweden, which represented a complete departure from the former trade policies of the two countries and provided a striking example of downward bilateral balancing. The reduction of Norwegian imports from Belgium was of a similar nature, while the complete suspension of French imports from Belgium at the end of the year provides an even more extreme example of the restriction of trade.

In general, most Western European countries achieved only a moderate increase in exports to other members of the group in 1948 compared with 1947. As may be seen from Table 83, this was true with regard to exports from Denmark, France, Greece, Ireland, Italy, Norway, Portugal, Sweden, Switzerland and Turkey.[1] The increases in exports came primarily from three sources—the United Kingdom, Germany and the Netherlands—which together accounted for 60 per cent of the total increase in exports in trade among Western European countries. Exports from these three countries rose by nearly 50 per cent, measured in current values, while exports from all other Western European countries increased by only 16 per cent.

The United Kingdom, Germany and the Netherlands likewise accounted for more than one-half of the increase on the import side in trade among Western European countries, the remainder being shared by France and

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[1] The comparison of changes in trade in current prices is not invalidated by price changes. While on balance prices increased, especially in the case of the United Kingdom and the Scandinavian countries, there was some decrease in the export prices of some Continental European countries.

Table 83

TRADE AMONG WESTERN EUROPEAN COUNTRIES [a]

Millions of dollars in current f.o.b. prices

Country and year		Imports	Exports
United Kingdom	1938	1,020	663
	1947	1,075	1,295
	1948	1,391	1,735
Iceland	1938	10	14
	1947	39	31
	1948	35	49
Ireland	1938	117	117
	1947	278	154
	1948	342	173
France	1938	402	408
	1947	631	712
	1948	824	805
Netherlands	1938	411	367
	1947	577	450
	1948	835	646
Belgium-Luxemburg	1938	363	453
	1947	799	883
	1948	905	1,003
Switzerland	1938	224	181
	1947	531	368
	1948	527	394
Italy	1938	259	223
	1947	271	394
	1948	314	459
Greece	1938	73	58
	1947	87	47
	1948	115	56
Portugal	1938	56	40
	1947	131	83
	1948	180	79
Turkey	1938	78	78
	1947	114	98
	1948	132	81
Denmark	1938	214	300
	1947	308	362
	1948	360	422
Sweden	1938	276	317
	1947	520	507
	1948	639	638
Norway	1938	167	150
	1947	375	238
	1948	391	263
Germany	1938	769	1,075
	1947	265	395
	1948	538	737
Austria	1938	95	90
	1947	75	59
	1948	137	125
TOTAL	1938	4,534	4,534
	1947	6,076	6,076
	1948	7,665	7,665

Source. — The figures are derived from Table XVI, where data are given in full country-by-country detail.

[a] For purposes of this table and the accompanying text, Western Europe is defined as consisting of all countries participating in the O.E.E.C. Germany is treated in its entirety, however, as part of Western Europe since the greater part of its external trade is accounted for by Western Germany and since there are no satisfactory pre-war or post-war data on Germany's external trade according to zones of occupation.

most of the other countries in the group, with Switzerland and Norway as the principal exceptions.

The payments situation during the year revealed serious weaknesses, except where it proved possible to expand trade bilaterally while maintaining a balanced payments position. Some settlements of adverse balances continued to be made in gold and dollars, but on a far smaller scale than in earlier post-war years because of the depletion of reserves. The rise in British exports to other Western European countries, together with increased purchases by Continental countries from the overseas Sterling Area was made possible by the previously accumulated sterling balances of Western European countries, which were being rapidly depleted.

Difficulties in maintaining the flow of trade led to the negotiation of the new O.E.E.C. Payments Scheme.[1] One of the two main features of the scheme was the undertaking given by all the signatory countries to permit regular monthly compensations, or mutual cancellations, of their bilateral credit and debit balances with each other in so far as equal reductions could be made in all of the balances involved in any particular compensation circuit. Under the agreement, the previous consent of the countries concerned was not required for these so-called " first category " compensations, which were to be executed by the Bank for International Settlements acting as agent.

This phase of the plan represented a broadening of the earlier compensation agreement concluded in late 1947 among a more limited number of countries, which was described in the last SURVEY.[2] Like the earlier plan, the new arrangement has not so far led to any substantial volume of compensation operations and for very much the same reason : that is, because one or more of the leading countries (France at present—the United Kingdom in the earlier instance) have been in an overall debtor position, while other countries (chiefly Belgium in both instances) have been in a creditor position all round, and the remaining countries in the plan have consequently had only limited possibilities of offsetting their claims against their liabilities. However, the growing importance of the trade of Western Germany, which is occupying an intermediate position with claims in some directions and liabilities in others, may increase the opportunities for compensation.

The agreement also made provision for " second-category " compensations, although only with the previous consent of the parties directly concerned in each transaction. A " second-category " compensation would be, for example, one where a debtor country (A) would transfer to its creditor (B) balances held in the currency of a third country (C), thus decreasing A's debt to B and A's claim on C, but increasing B's claim on C. If compensations of this nature were automatic and obligatory, there would, in fact, be full transferability among the currencies of all the participating countries. Under existing conditions, the result of such compensations would, however, be to concentrate all of the now scattered credit and debit balances into a few main lines between the overall creditor and the overall debtor countries. That is, since a number of countries owe substantial debts to Belgium and have their principal claims on France, they would tend to reduce their obligations to Belgium by settlement in French francs. Thus, many existing credit and debit balances would be reduced or eliminated altogether, while Belgium's claims, now spread among a number of countries, would be concentrated in French francs. Neither the principal creditor nor the principal debtor countries have been prepared, at this stage, to commit themselves in advance to an automatic system that would produce results of this nature ; hence, only first category compensations, where an all-round reduction of indebtedness could be effected, were made obligatory under the agreements, while it has proved impossible so far to obtain agreement of all the parties concerned to carry out a second category compensation.

The second principal feature in the Payments Scheme, and one which has had more effect on the volume of trade than the compensation arrangements, was the establishment of drawing rights which, while specifically bilateral in character, were designed to deal with the problem of overall creditor and debtor countries. By linking these drawing rights to a portion of the United States dollar aid (the so-called " conditional aid "), this scheme induced creditor countries to make grants to their debtors and enabled the debtors to maintain the level of their imports. The Payments Scheme itself may be regarded as a necessary redistribution of dollar aid to bring it more into conformity with the overall balance of payments deficits of the individual countries rather than their deficits with the dollar area alone, which in some instances are smaller and in other instances greater than the overall deficits.

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[1] " Agreement for Intra-European Payments and Compensations ", O.E.E.C., Paris 1948.

[2] See *op. cit.*, pp. 99-100.

These drawing rights, covering 62 separate bilateral relationships where a significant gap was expected, amounted to $810 million for the year ending 30 June 1949. Since the whole approach was in terms of each country's separate bilateral relationship with each other country, the result was that a given country might be the granter of a drawing right in one direction and the beneficiary in another. Thus, the Bizone of Germany granted drawing rights of $108.8 million and received $98.6 million. France, as was already mentioned, was the largest beneficiary with total drawing rights of $333 million, while the United Kingdom and Belgium-Luxemburg extended the largest drawing rights, amounting to $312 million and $218.5 million respectively.

The relative importance of the funds made available through these drawing rights in bridging the gaps in bilateral trading relationships is indicated by the fact that total drawings during the last quarter of 1948 amounted to almost $200 million, or roughly 10 per cent of the gross volume of trade among Western European countries in that period. By the end of February 1949, total drawings had risen to $348 million.

The operation of the system through separate bilateral drawing rights has revealed serious defects which may lead to modifications when the Payments Scheme is reviewed in mid-1949 at the end of its first year of operation. These defects relate in part to the initial difficulties of establishing, through an elaborate and difficult bilateral bargaining procedure, forecasts of surpluses and deficits acceptable to each of the two parties in every relationship and in reasonable conformity with the probable or desirable pattern of trade.

In some instances—for example, the drawing rights established by the United Kingdom in favour of France, and by Belgium in favour of the Netherlands—the forecasts have appeared to correspond reasonably closely to the bilateral gaps which they were intended to finance. Some drawing rights, however, were clearly inadequate from the beginning and were quickly exhausted—for instance, the British and French drawing rights on Belgium. At the other extreme, 31 of the drawing rights had not been used at all up to the end of 1948, including those of Austria, Italy and the Bizone against the United Kingdom, and those of Greece and the Bizone against Turkey. In still other instances, trade has been made to correspond to the drawing rights instead of the drawing rights corresponding to trade. A striking case is that of trade between Belgium and Greece, which was almost non-existent in 1948. The new trade agreement between the two countries, covering the first half of 1949, provided for Belgian exports of $14.5 million and Greek exports of $1.5 million, which fitted exactly the drawing rights of $13 million established by Belgium. Recent trade agreements of the United Kingdom and Belgium with the Bizone also appear to be designed, by changing the Bizone's export surplus into an import surplus, to permit the use of drawing rights established in its favour.

Other generally recognized and more basic criticisms of the Payments Scheme concern the lack of flexibility and the lack of incentives. The lack of flexibility resides in the fact that drawing rights received by a debtor can normally be exercised only against the particular creditor country which made the grant and cannot be shifted by the recipient for use against some other country. Transferable drawing rights would, however, raise the same difficulty for the creditors as "second category" compensations; there is the risk, for instance, that a drawing right granted by the United Kingdom would be used, if it were transferable, to finance purchases from Belgium, thereby increasing Belgium's holdings of sterling and tending to require a gold settlement by the United Kingdom. The disadvantage in non-transferability of drawing rights, on the other hand, is that the creditors are under no competitive pressure to satisfy the import requirements of beneficiary countries, while the latter tend to lose bargaining power and the freedom to make their purchases in the markets offering the goods they require on the most advantageous terms.

The lack of incentives lies in the difficulty of reconciling two aims which tend to be contradictory. The ultimate aim may be taken to be the expansion of trade among the participants in a self-sustaining pattern free from the need for extraordinary support. The immediate aim may be taken to be the provision of the support necessary to avoid any serious disturbance to the present flow of trade. Since, however, recipients of drawing rights do not receive any compensating benefits if they succeed in bringing their exports into line with their imports and thus render the use of the drawing rights unnecessary, the present plan appears to be biased towards the maintenance of disequilibrium. It remains to be seen whether the Payments Scheme can be revised in such a way as both to prevent any disruption of trade as a result of too drastic readjustments of import and export levels and yet to provide incentives which are strong enough to effect the readjustments which are necessary if a workable trade pattern is to be evolved. This is essentially the same problem as that facing the entire European Recovery Programme or, for that matter, any other programme which may be designed both to provide aid to cover a gap between receipts and expenditures and yet provide the inducement necessary to bring receipts and expenditures into balance.

3. Trade and Payments Relations in Eastern Europe

As was shown in Table 82, trade among the Eastern European countries (including in the present analysis the U.S.S.R. as well as Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia) was almost twice as large in volume in 1948 as in 1947 and was about three times as large as before the war. The increase in current values given in Table 84 was, of course, very much larger because of the increase in prices. The expansion of trade between the Soviet Union and other Eastern European countries was the chief element in the increase. Among the six smaller Eastern European countries, excluding the U.S.S.R., the volume of trade in 1948 was approximately 25 per cent greater than in 1938, whereas exports from these countries to the U.S.S.R. were about ten times greater and their imports from the U.S.S.R. about twenty-five times greater in volume than before the war. In most instances, however, the pre-war trade of the U.S.S.R. with these countries was negligible, and the increases in percentage terms are therefore less significant than the rise in absolute volume.

The intensification and the growth of trade among the Eastern European group of countries is reflected in the fact that it now makes up roughly 50 per cent of the total foreign trade of these countries compared with only 20 per cent before the war. Nevertheless, the trade of the other members of the group with the U.S.S.R. has not yet risen to a volume as large as their pre-war trade with Germany, as shown by the estimates in Table 46 of Chapter 4 and Table XVI (in the pocket at the end of this volume).[1]

The commodity composition of the post-war trade of the smaller Eastern European countries with the U.S.S.R. is, however, markedly different from that of their pre-war trade with Germany. Whereas Germany was formerly one of the chief importers of the foodstuffs and raw materials produced in the region, and a large-scale supplier of manufactures, the trade of the U.S.S.R. with other Eastern European countries has included both manufactured goods and primary products in exports as well as imports. Thus,

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[1] According to these estimates, expressed in constant 1938 prices, the imports of the six Eastern European countries from Germany amounted to $236 million in 1938 compared with $169 million of imports from the U.S.S.R. in 1948. The exports of the six Eastern European countries to Germany in 1938 amounted to $254 million compared with $128 million of exports to the U.S.S.R. in 1948. The 1948 figures are, however, incomplete because of the lack of data on trade between Yugoslavia and the U.S.S.R.

Table 84

TRADE AMONG EASTERN EUROPEAN COUNTRIES

Millions of dollars in current f.o.b. prices

Importing country Exporting country		Czechoslovakia	Poland	Rumania	Hungary	Yugoslavia	Bulgaria	U.S.S.R.	TOTAL
Czechoslovakia	1938		7	19	9	23	2	12	72
	1947		10	8	16	35	13	29	111
	1948		53	24	22	52	15	120	286
Poland	1938	8		2	2	1	3	2	18
	1947	14		1	4	6	3	70	98
	1948	40		7	4	22	6	97	176
Rumania	1938	15	2		8	2	1	—	28
	1947	5	1		3	1	2	17 [a]	29
	1948	27	5		4	—	2	15 [a]	53
Hungary	1938	6	1	5		5	2	—	19
	1947	11	4	2		7	1	13	38
	1948	20	4	2		13	1	23	63
Yugoslavia	1938	9	2	1	5		—	—	17
	1947	25	4	1	11		3	..	44
	1948	44	27	—	24		5 [a]	..	100
Bulgaria	1938	3	3	—	1	—		—	7
	1947	16	7	1	1	4		44	73
	1948	12	8	—	1	10 [a]		40 [a]	71
U.S.S.R.	1938	4	3	—	—	—	—		7
	1947	25	79	30	15	..	43		192
	1948	117	114	30 [a]	24	..	70 [a]		355
TOTAL	1938	45	18	27	25	31	8	14	168
	1947	96	105	43	50	53	65	173	585
	1948	260	211	63	79	97	99	295	1,104

Source. — The figures are derived from Table XVI.

[a] Estimate.

the Soviet Union has not only supplied capital equipment such as tractors and machinery, but also raw materials such as cotton, iron ore, manganese and chemicals and, particularly to Czechoslovakia, grain. On the other hand, imports into the U.S.S.R. have consisted to a considerable extent of manufactures, though these have varied according to the stage of industrial development of the country of origin. For instance, manufactured goods have been exported by Hungary and Poland to the U.S.S.R. Under the agreement of October 1948 with Czechoslovakia, 72 per cent of Czech exports to the U.S.S.R. are to consist of light manufactures, mainly consumers' goods, 23 per cent of heavy industrial equipment and 5 per cent of agricultural products. Another important element in trade between the U.S.S.R. and some of the other Eastern European countries has been the exchange of textile raw materials from the U.S.S.R. against finished textiles manufactured from these raw materials in the other countries.

Trade among the other Eastern European countries, excluding the U.S.S.R., has, on the whole, remained relatively small, although considerably higher in some instances than before the war. As far as may be judged from Table 84, after allowing for the higher level of post-war prices, the principal increases would appear to have been in trade between Poland and Czechoslovakia (which has expanded under the terms of the far-reaching economic agreement of July 1947 for the co-ordinated economic development of the two countries), and in Czechoslovakia's trade with some of the other Eastern European countries. Czechoslovakia is principally an importer of foodstuffs and an exporter of manufactured goods, although, in its trade with Hungary, manufactures and raw materials make up roughly comparable proportions of the trade in both directions. In turn, Hungary's imports from other Eastern European countries consist mainly of raw materials required for its industry.

According to the long-term trade agreements between the Soviet Union and other Eastern European countries, the expansion of trade which took place from 1947 to 1948 is to be continued in 1949. Thus, the trade of the U.S.S.R. with Poland is scheduled to rise by some 35 per cent, that with Czechoslovakia by more than 45 per cent, while trade with Rumania is to be more than doubled and that with Hungary to be trebled. Trade between the U.S.S.R. and Yugoslavia, on the other hand, is to be curtailed to only one-eighth of the 1948 value. In general, trade agreements among other Eastern European countries, with the exception of those concluded with Yugoslavia, also provide for substantial increases of trade in 1949.

As Table 84 shows, most of the trade among Eastern European countries has been marked by fairly close bilateral balancing. In general, the agreements appear to aim at a bilateral balance each year, with some latitude provided by reciprocal credit margins. There are, however, notable exceptions ; for example, the agreement between Czechoslovakia and Poland, although foreseeing a bilateral balance over the five-year period as a whole, does not provide for an immediate equality between exports and imports. The U.S.S.R., apart from its agreements for the reciprocal exchange of commodities with other Eastern European countries, has granted some credits for long-term deliveries of specific products. Thus, under the 1948 agreement, Poland was granted a credit of $450 million to finance the supply of a complete steel plant and other industrial equipment in future years. Czechoslovakia is also reported to have obtained, under the agreement of December 1948, a commodity credit as well as a loan in free currencies of unspecified amounts.

There is some indication that the future development of trade among Eastern European countries may permit greater flexibility. One of the aims of the Council for Mutual Economic Assistance, established in January 1949, is stated to be the development of multilateral exchanges among the member countries.

There are also some instances of triangular deals with the outside world, chiefly with the U.S.S.R. acting as intermediary on both the buying and the selling side. For instance, the U.S.S.R. has imported cotton from Egypt and wool from the Sterling Area, a part of which was for the use of other Eastern European countries. The U.S.S.R. is also reported to have bought goods from its neighbours for export to Western European countries.

4. TRADE AND PAYMENTS RELATIONS BETWEEN EASTERN AND WESTERN EUROPEAN COUNTRIES

The low level of trade between Eastern and Western Europe since the war has been due largely to the incomplete recovery of agricultural production in Eastern Europe and the resulting limitations on the amount of goods available for export. Exports from Western European countries have similarly been limited both by the general shortage of capital equipment and other essential goods desired by Eastern European countries, and by the absence of any considerable credit or other means of financing a volume of exports from

Western Europe appreciably greater than that which could be counter-balanced by deliveries from Eastern European countries. Trade between the two areas in 1947 was thus very small with only a minor surplus of exports from Western Europe. During 1948 some further recovery in production in Eastern Europe created more favourable conditions for an expansion of trade, although the overall volume (including trade moving in both directions) was still only 42 per cent of pre-war.

The main movements of trade, measured in 1938 prices, are shown in Table 85. It will be noted that Western European exports to Eastern Europe increased only moderately in 1948 (declining, in fact, in the case of exports to the U.S.S.R.) while exports from Eastern to Western Europe rose appreciably but were still only about 40 per cent of the pre-war level.

The recovery of exports from Eastern to Western Europe in 1948 was sufficient to restore the traditional surplus in favour of Eastern European countries, as indicated by Table 86. It should be noted that the figures in this table are given in current prices and also include a slightly different country composition (notably with regard to Finland) which impairs comparability with Table 85.[1] Table 86 also shows that Czechoslovakia, Poland, Finland and the U.S.S.R. are Western Europe's main trading partners in Eastern Europe. The United Kingdom takes the largest share of Eastern European exports and is also the most important source of supply, the remainder of the trade being widely spread among a number of Western European countries. The increase in trade from 1947 to 1948 was fairly general but not without important exceptions. Czechoslovakia's trade with Western Europe, both exports and imports, declined appreciably, while exports from the United Kingdom to Eastern Europe were no greater in current prices, and hence less in volume, in 1948 than in 1947. Compared with pre-war, Sweden, Norway and Denmark stand out because of the large increases in their Eastern European trade, while Germany is the principal country whose trade with Eastern Europe has declined.

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[1] It has been impossible to be completely consistent in the country composition of the various trade tables. The volume figures given in Table 85 above are derived from Table 46 in Chapter 4, where Finland is grouped with the other Scandinavian countries. It is also to be noted that the whole of Germany has been treated throughout this chapter as a part of Western Europe, the greater part of its trade being accounted for by the western part of Germany and there being no separate statistics, either pre-war or post-war, for Eastern Germany.

Table 85

TRADE BETWEEN EASTERN AND WESTERN EUROPE [a]

Millions of dollars in 1938 f.o.b. prices

Trade movements	1938	1947	*Index numbers (1938=100)*	1948	*Index numbers (1938=100)*
Exports from Western Europe to Eastern Europe :					
To the U.S.S.R.	181	63	*35*	57	*31*
To other Eastern European countries	539	226	*42*	255	*47*
TOTAL	720	289	*40*	312	*43*
Exports from Eastern Europe to Western Europe :					
From the U.S.S.R.	284	48	*17*	107	*38*
From other Eastern European countries	747	229	*31*	312	*42*
TOTAL	1,031	277	*27*	419	*41*

Source. — The figures are derived from Table 46.

[a] Western Europe includes countries in Groups I to V, and Eastern Europe includes countries in Groups VI and VII of Table 46.

Table 86

TRADE BETWEEN EASTERN EUROPEAN AND WESTERN EUROPEAN COUNTRIES

Millions of dollars in current f.o.b. prices

I. Trade of Eastern European Countries with Western Europe

Country and year		Imports	Exports
Czechoslovakia . . .	1938	135	194
	1947	253	346
	1948	239	301
Poland	1938	135	167
	1947	141	133
	1948	177	294
Rumania	1938	87	106
	1947	12	4
	1948	16	27
Hungary	1938	71	111
	1947	31	37
	1948	49	66
Yugoslavia	1938	75	100
	1947	58	45
	1948	86	87
Bulgaria	1938	35	52
	1947	6	12
	1948	10	14
Finland.	1938	114	152
	1947	163	206
	1948	246	252
Union of Soviet Socialist Republics . . .	1938	175	270
	1947	104	91
	1948	107	234
TOTAL	1938	827	1,152
	1947	768	874
	1948	930	1,275

II. Trade of Western European Countries[a] with Eastern Europe

Country and year		Imports	Exports
United Kingdom . .	1938	315	135
	1947	180	184
	1948	331	184
France	1938	55	49
	1947	53	47
	1948	92	51
Netherlands	1938	61	39
	1947	78	49
	1948	120	79
Belgium-Luxemburg .	1938	59	48
	1947	68	64
	1948	94	94
Switzerland	1938	38	34
	1947	90	65
	1948	71	67
Italy	1938	61	49
	1947	68	43
	1948	66	75
Denmark	1938	21	13
	1947	69	90
	1948	91	78
Sweden	1938	43	52
	1947	119	85
	1948	149	109
Norway	1938	15	9
	1947	34	48
	1948	60	48
Germany[b]	1938	334	317
	1947	31	31
	1948	75	67
Austria	1938	101	56
	1947	41	17
	1948	75	42
Other Western European countries[c] . .	1938	49	26
	1947	43	45
	1948	51	36
TOTAL	1938	1,152	827
	1947	874	768
	1948	1,275	930

Source. — The figures are derived from Table XVI, where data are given in full country-by-country detail.

[a] Excluding Spain.

[b] Germany is treated in its entirety as part of Western Europe since the greater part of its external trade is accounted for by Western Germany and since there are no satisfactory pre-war or post-war data on Germany's external trade according to zones of occupation.

[c] Ireland, Iceland, Portugal, Greece and Turkey.

The Commodity Composition of East-West Trade

The main commodities accounting for the fall in East-West trade since the war are shown in Tables 87 and 88; the first shows the available data on trade between Western European countries and the smaller Eastern European countries (Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Rumania and Yugoslavia) and the second shows trade between Western European countries and the U.S.S.R. The information at present available does not make it possible to carry the estimates beyond 1947 (and even the information for 1947 does not cover trade between Germany and the U.S.S.R.), although some indication can be given of the main trends during 1948.

Heavy industrial products accounted for most of the decline in exports from Western European countries in 1947 compared with 1938. This was largely a result of the virtual disappearance of exports from Germany, which was the largest single supplier of industrial products to Eastern Europe before the war. The decline in machinery, iron and steel, and instruments and apparatus was particularly severe. In some of the heavy industrial items, Western European countries other than Germany sent larger exports to Eastern Europe than before the war, but in general these countries fell far short of replacing Germany as a source of supply for Eastern European countries. Exports of light industrial products, notably textiles, were also very much smaller than before the war, presumably reflecting not only shortages of supply but also the limited supply of foreign exchange available to Eastern European countries for purchases of this nature. On the other hand, exports of agricultural produce from Western Europe, of which Germany was not a traditional supplier, were much nearer to the pre-war volume, but the amount involved was small in relation to other major products entering into the trade.

The decline in the flow of trade from Eastern to Western Europe was even sharper than the fall in the movement of trade from West to East. Exports of foodstuffs (including beverages and tobacco) in 1947 were less than 10 per cent of the 1938 volume, the principal pre-war exports such as cereals, and meat and dairy products having all but disappeared from the trade. Exports of raw materials and industrial products from Eastern Europe were also severely depressed, although the relative decline since 1938 was less than in foodstuffs. Total supplies of timber from all Eastern European countries including the U.S.S.R. were little more than one-quarter of the 1938 volume, and those of petroleum were less than one-fifth of pre-war. Coal deliveries in 1947 showed a substantially higher rate of recovery at about 70 per cent of the pre-war volume, although this may be primarily explained by the post-war shift in the German-Polish frontier. The relatively high level of exports of iron and steel manufactures and of machinery and vehicles is accounted for chiefly by Czechoslovakia, whose industry suffered relatively little damage during the war.

As regards developments in 1948, it appears from the limited data available that the most significant changes were increased deliveries of grain, timber and coal from Eastern to Western European countries.

Most of the increase in grain exports came from the Soviet Union, although the French statistics indicate some increase in imports from other Eastern European countries as well. Expressed in current prices and hence reflecting price changes, grain exports from the U.S.S.R. to Western European countries may be placed at approximately \$54 million in 1938, \$9 million in 1947, and \$140 million in 1948. The corresponding quantities delivered by the U.S.S.R. were 1.6 million metric tons in 1938 and about 1.1 million metric tons in 1948.[1]

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[1] To this figure should be added some 90,000 metric tons representing the difference between the figure of 680,000 tons given in the Trade and Navigation Accounts of the United Kingdom and that quoted by the President of the Board of Trade in a speech of 7 February 1949, of 770,000 tons delivered by the U.S.S.R. under the agreement of December 1947, covering the year 1948. Part of the difference consists of 34,000 tons which have been delivered directly to other countries on the United Kingdom's account and have therefore not been recorded in British import statistics. The remaining difference is due to shipments of coarse grain under the agreement, which were loaded in Rumanian ports and therefore appear under the heading of imports from " other foreign countries " in the import statistics.

Increased deliveries of other foodstuffs were also made by Eastern Europe in 1948 compared with 1947, particularly to the United Kingdom. These included larger quantities of meat and dairy products, chiefly from Poland, and of fruit and vegetables from Hungary. France and Italy also made larger purchases of tobacco from Eastern Europe. In the raw-materials group, most Western European countries appear to have had larger quantities of timber from Eastern Europe, and coal deliveries from Poland increased from 8.2 million tons in 1947 to 12.2 millions in 1948.

The relatively small recovery in total exports from Western Europe to Eastern Europe between 1947 and 1948 appears to be largely caused by the fact that several major categories of British exports ceased to increase or definitely declined. Exports of iron and steel from the United Kingdom to Eastern Europe increased only slightly, a large fall in exports to Czechoslovakia offsetting increases in exports to some of the other Eastern European countries. Machinery exports from the United Kingdom were only about half as large in 1948 as in 1947, chiefly because of a fall in exports to the U.S.S.R. and to Yugoslavia. On the other hand, all other Western European countries for which figures are available appear to have increased their machinery exports to Eastern Europe during the year.

Eastern Europe's Trade Surplus

As a result of the expansion of its exports, Eastern Europe in 1948 had a surplus of \$350 million in its trade with Western Europe. Further details of the payments relations of Eastern and Western Europe are given in Table 73, Chapter 6, which shows separately consolidated balance of payments estimates for the members of the O.E.E.C. and for other European countries.[1] The surplus funds derived by Eastern Europe from merchandise trade appear to have been used in several different ways. In the first place, Eastern European countries have certain invisible payments to meet in Western Europe. Transport and transit were probably the most important items in 1948, although there were also some payments for old debts as well as in compensation for nationalized property.

Secondly, it appears that Eastern European countries were able to place larger orders for capital equipment in 1948 than in earlier years, the delivery of which will only take place in 1949 or later and will be reflected in Eastern European imports at that time. In addition, some balances are held in Western Europe by Eastern European countries which may be used subsequently for the placing of new orders. This would seem to apply, for instance, to balances in Belgium belonging to the U.S.S.R. and Hungary, for which no settlement has been requested.

The most important way in which Eastern European countries have used the proceeds of their export surplus has, however, been to pay for their substantial excess of imports from overseas countries, particularly from the Sterling Area. This was made possible by the fact that part of the deficit of Western European countries with Eastern Europe was settled in sterling or, in some instances, in free currencies. The British import surplus was the biggest single source of sterling to Eastern Europe, although Sweden also settled its surplus of imports from Poland in sterling, and other Western European countries have made some dollar or gold payments against deliveries of coal and other scarce commodities from Eastern Europe.

The use of these funds for purchases outside Europe appears to reflect the urgent demand of Eastern European countries for wool, rubber, cotton and other raw materials from overseas, and it may in turn be a partial explanation of the decline in British exports to Eastern Europe which was noted earlier. The most important example of this increase in Eastern Europe's overseas imports is provided by the U.S.S.R., which is estimated to have made purchases in the overseas Sterling Area and

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[1] It should be noted, however, that the estimates refer not to the group of Eastern European countries alone but cover all European countries not participating in the O.E.E.C. and are rounded to the nearest hundred million dollars because of their approximate nature.

Tabl

THE COMMODITY COMPOSITION OF TRADE BETWEEN WESTERN EUROPEA

Millions of dolla

Commodity	Exports from Western to Eastern Countries								
	From Germany [a]			From other countries of Western Europe			Total		
	1938	1947	*1947 as per cent of 1938*	1938	1947	*1947 as per cent of 1938*	1938	1947	*1947 a per cen of 193*
I. *Food, beverages and tobacco :*									
Live animals	—	—	—	—	7	—	—	7	—
Animal products for food :									
Meat	—	—	—	7	14	*200*	7	14	*200*
Dairy products	—	—	—						
Eggs	—	—	—						
Other	—	—	—						
Cereals and products	—	—	—	7	2	*29*	7	2	*29*
Seeds for sowing	—	—	—	1	1	*100*	1	1	*100*
Vegetable and animal fats and oils	1	—	—	9	5	*56*	10	5	*50*
Vegetables and plants	—	—	—	6	3	*50*	6	3	*50*
Fruit and nuts	—	—	—	13	5	*38*	13	5	*38*
Beverages (including wines)	1	—	—	6	2	*33*	7	2	*29*
Sugar and preparations	—	—	—	—	—	—	—	—	—
Tobacco and manufactures	—	—	—	2	—	—	2	—	—
Total Group I	2	—	—	51	39	*76*	53	39	*74*
II. *Raw materials and products of light industries :*									
Hides, skins and leather manufactures	9	—	—	14	3	*21*	23	3	*13*
Other animal products	3	—	—	10	11	*110*	13	11	*85*
Wood and manufactures	1	—	—	4	1	*25*	5	1	*20*
Pulp and paper	6	—	—	9	4	*44*	15	4	*27*
Rubber and manufactures	3	—	—	6	2	*33*	9	2	*22*
Textiles and manufactures	26	—	—	79	35	*44*	105	35	*33*
Stones, clay and china	5	—	—	4	3	*75*	9	3	*33*
Glass and manufactures	3	—	—	1	1	*100*	4	1	*25*
Other items	17	3	*18*	23	25	*109*	40	28	*70*
Total Group II	73	3	*4*	150	85	*57*	223	88	*39*
III. *Raw materials and products of mining and heavy industries :*									
Coal and coke	13	—	—	8	2	*25*	21	2	*10*
Mineral oil and products	1	—	—	1	—	—	2	—	—
Other minerals	1	—	—	12	25	*208*	13	25	*192*
Iron and steel and manufactures	43	—	—	47	30	*64*	90	30	*33*
Other metals and manufactures	10	—	—	27	9	*33*	37	9	*24*
Machinery	68	—	—	47	38	*81*	115	38	*33*
Vehicles (including ships)	19	—	—	19	22	*116*	38	22	*58*
Instruments and apparatus	11	—	—	10	6	*60*	21	6	*29*
Chemicals (including fertilizers), drugs and dyes	36	4	*11*	24	32	*133*	60	36	*60*
Total Group III	202	4	*2*	195	164	*84*	397	168	*42*
TOTAL ALL COMMODITIES	277	10 [a]	*4*	396	288	*73*	673	298 [a]	*44*

Source. — The figures have been taken from " Potentialities for Increased Trade and Accelerated Industrial Development in Europe " prepared by the Economic Commission for Europe and released 28 August 1948.

NOTE. — Western European countries include Austria, Belgium-Luxemburg, Denmark, France, Germany, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Eastern European countries include Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Rumania and Yugoslavia.

EASTERN EUROPEAN COUNTRIES, EXCLUDING THE U.S.S.R.

38 f.o.b. prices

Exports from Eastern to Western Countries								
To Germany [a]		To other countries of Western Europe			Total			Commodity
1947	*1947 as per cent of 1938*	1938	1947	*1947 as per cent of 1938*	1938	1947	*1947 as per cent of 1938*	
								I. *Food, beverages and tobacco :*
—	—	25	—	—	50	—	—	Live animals
								Animal products for food :
—	—	24	4	*17*	37	4	*11*	Meat
—	—	11	—	—	18	—	—	Dairy products
—	—	14	0.4	*3*	23	0.4	*2*	Eggs
—	—	1	—	—	1	—	—	Other
—	—	57	2	*4*	97	2	*2*	Cereals and products
—	—	5	1	*20*	12	1	*8*	Seeds for sowing
—	—	1	0.3	*30*	7	0.3	*4*	Vegetable and animal fats and oils
1	*13*	16	10	*63*	24	11	*46*	Vegetables and plants
—	—	4	0.3	*8*	20	0.3	*2*	Fruit and nuts
—	—	1	2	*200*	3	2	*67*	Beverages (including wines)
—	—	2	5	*250*	2	5	*250*	Sugar and preparations
—	—	4	1	*25*	21	1	*5*	Tobacco and manufactures
1	*1*	165	26	*16*	315	27	*9*	Total Group I
								II. *Raw materials and products of light industries :*
—	—	19	3	*16*	26	3	*12*	Hides, skins and leather manufactures
—	—	4	3	*75*	11	3	*27*	Other animal products
—	—	95	55	*58*	136	55	*40*	Wood and manufactures
—	—	50	36	*72*	56	36	*64*	Pulp and paper
—	—	2	2	*100*	2	2	*100*	Rubber and manufactures
—	—	49	19	*39*	64	19	*30*	Textiles and manufactures
—	—	8	5	*63*	9	5	*56*	Stones, clay and china
—	—	9	9	*100*	11	9	*82*	Glass and manufactures
2	*40*	25	15	*60*	30	17	*57*	Other items
2	*2*	261	147	*56*	345	149	*43*	Total Group II
								III. *Raw materials and products of mining and heavy industries :*
5	*63*	44	31	*70*	52	36	*69*	Coal and coke
—	—	28	7	*25*	41	7	*17*	Mineral oil and products
—	—	5	1	*20*	9	1	*11*	Other minerals
—	—	23	24	*104*	28	24	*86*	Iron and steel and manufactures
—	—	6	7	*117*	14	7	*50*	Other metals and manufactures
—	—	9	15	*167*	15	15	*100*	Machinery
—	—	2	5	*250*	2	5	*250*	Vehicles (including ships)
—	—	2	2	*100*	2	2	*100*	Instruments and apparatus
—	—	12	8	*67*	17	8	*47*	Chemicals (including fertilizers), drugs and dyes
5	*10*	131	100	*76*	180	105	*58*	Total Group III
8 [a]	*3*	557	273	*49*	840	281 [a]	*33*	TOTAL ALL COMMODITIES

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[a] The figures for 1947, by commodities, are available only for the trade of Czechoslovakia and Poland with Germany. The figure for total German exports includes an additional $3 million for shipments to other Eastern European countries (excluding Yugoslavia, for which no data are available). No corresponding adjustment has been made in total imports into Germany, since imports from Eastern European countries other than Czechoslovakia and Poland were negligible in 1947.

Table 88

THE COMMODITY COMPOSITION OF TRADE BETWEEN WESTERN EUROPEAN COUNTRIES AND THE UNION OF SOVIET SOCIALIST REPUBLICS

Millions of dollars in 1938 f.o.b. prices

Commodity	Exports to the U.S.S.R.					Imports from the U.S.S.R.				
	From Germany		From other countries of Western Europe			To Germany		To other countries of Western Europe		
	1938	1947	1938	1947	*1947 as per cent of 1938*	1938	1947	1938	1947	*1947 as per cent of 1938*
I. *Food, beverages and tobacco :*										
Live animals	—	..	—	2	—	6	..	—	—	—
Animal products for food :										
Meat	—	..	—	1	—	—	..	6	—	—
Dairy products	—	..	—	5	—	8	..	17	—	—
Eggs	—	..	—	—	—	1	..	1	—	—
Fish	—	..	2	6	*300*	—	..	10	—	—
Cereals and products	—	..	—	—	—	—	..	54	3	*6*
Seeds for sowing	—	..	—	—	—	1	..	—	—	—
Vegetable and animal fats and oils	—	..	1	2	*200*	—	..	1	1	*100*
Vegetables and plants	—	..	—	—	—	1	..	6	1	*17*
Sugar and preparations	—	..	1	—	—	—	..	—	—	—
Total Group I	—	..	4	16	*400*	17	..	95	5	*5*
II. *Raw materials and products of light industries :*										
Hides, skins and leather manufactures	—	..	—	—	—	2	..	23	2	*9*
Other animal products	—	..	—	—	—	1	..	2	—	—
Wood and manufactures	—	..	1	—	—	20	..	71	3	*4*
Pulp and paper	—	..	1	—	—	—	..	5	2	*40*
Textiles and manufactures	2	..	12	—	—	5	..	14	5	*36*
Stones, clay and china	1	..	1	—	—	—	..	2	2	*100*
Other items	1	..	5	2	*40*	—	..	6	2	*33*
Total Group II	4	..	20	2	*10*	28	..	123	16	*13*
III. *Raw materials and products of mining and heavy industries :*										
Coal and coke	—	..	4	—	—	—	..	—	—	—
Mineral oil and products	1	..	—	—	—	4	..	13	4	*31*
Other minerals	1	..	—	—	—	2	..	6	3	*50*
Iron and steel and manufactures	10	..	18	1	*10*	1	..	—	—	—
Other metals and manufactures	3	..	25	1	*4*	—	..	3	1	*33*
Machinery	12	..	24	27	*113*	—	..	—	—	—
Vehicles (including ships)	3	..	9	1	*11*	—	..	—	—	—
Instruments and apparatus	3	..	4	—	—	—	..	—	—	—
Chemicals (including fertilizers), drugs and dyes	6	..	4	—	—	—	..	1	2	*200*
Total Group III	39	..	88	30	*34*	7	..	23	10	*43*
Unspecified [a]	—	..	—	2	—	—	..	—	10	—
Total all commodities	43	..	112	50	*45*	52	..	241	41	*17*

Source. — The figures have been taken from "Potentialities for Increased Trade and Accelerated Industrial Development in Europe" prepared by the Economic Commission for Europe and released 28 August 1948.

Notes. — Western European countries include Austria, Belgium-Luxemburg, Denmark, France, Germany, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. For the year 1938, the trade of the Baltic States with Western European countries is included with the figures for the U.S.S.R.

[a] The figures reported as unspecified represent exports to the U.S.S.R. from Belgium and Italy, and imports from the U.S.S.R. into Belgium, Italy and Sweden, which are not available by commodities. The details shown for individual commodities are, therefore, incomplete to this extent.

in Egypt to a total of $125 million in 1948, or much more than the decline between 1947 and 1948 in British exports to the U.S.S.R.[1] Similarly, it may be estimated that Czechoslovakia made purchases of the order of $65 million in the Sterling Area in 1948.[2] In both instances, purchases from the Sterling Area were very much larger than the excess of sterling directly available through trade with the United Kingdom. The use of sterling and other currencies earned in Western Europe to finance imports from the Sterling Area and other overseas sources appears to constitute a significant element of multilateral trade in Eastern Europe's relations with other countries.

Current Trends in East-West Trade

Czechoslovakia was the first country in Eastern Europe which, by 1947, had already resumed exports to Western Europe on a scale approaching pre-war. In 1948, however, considerable strains developed in Czechoslovakia's foreign payments. These followed the diversion of its exports of high-priority goods from Western to Eastern Europe, as a result of which Czechoslovakia offered a much higher proportion of less essential goods for sale in the West. Exports fell off sharply, while at the same time imports also declined, although more moderately. In response to the resulting strains, Sweden and the Netherlands consented to raise the credit ceilings in their trade and payments agreements with Czechoslovakia, but Belgium refused to do so.

Trade between the other three major trading countries in Eastern Europe—the U.S.S.R., Poland and Yugoslavia—and Western Europe developed more smoothly in 1948, exports from the U.S.S.R. showing the greatest increase, while Polish exports came nearest to the pre-war volume.

Hungary's export trade, after going through a crisis in the summer of 1948, chiefly owing to a sharp decline of agricultural exports following the bad harvest in 1947, began to recover appreciably. As a result of the much better harvest in 1948, Hungary's agricultural exports in October reached the highest level since the end of the war, and industrial exports also showed a rising tendency. Towards the end of 1948, Hungary succeeded in developing an export surplus in its trade with a number of Western European countries.

The large number of trade agreements concluded between Western and Eastern European countries for 1949 or longer periods point to a considerable expansion of East-West trade in the future. According to the agreements, this expansion will be mainly in increased food deliveries from Eastern Europe and larger exports of machinery and equipment from Western Europe.

Thus the agreement between the United Kingdom and Yugoslavia in December 1948 for the following year provides for trade of $60 million in each direction, compared with actual British imports from Yugoslavia of only $17 million and British exports to Yugoslavia of $11 million in 1948.

The recent agreement between the United Kingdom and Poland is of major significance for the expansion of East-West trade. It covers a period of five years ending in 1953, and provides for exchanges of $524 million each way during the period, compared with Polish exports of $35 million to the United Kingdom and Polish imports of $27 million from the United Kingdom in 1948. Poland is to deliver increasing quantities of food (mainly eggs and bacon) and timber. The United Kingdom is to supply raw materials and manufactured goods, including capital equipment. The total amount of capital equipment to be delivered over the period under the new agreement is estimated at $80 million in addition to a previous programme totalling $60 million.

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[1] The President of the British Board of Trade stated on 7 February 1949 that this shift was due not to British unwillingness to export, but to the preference shown by the U.S.S.R. for making purchases outside the trade agreement rather than to place the orders which had been agreed upon.

[2] British statistics show exports of United Kingdom produce to Czechoslovakia to the amount of $22 million, f.o.b., whereas the Czechoslovak trade statistics show imports from the United Kingdom (on a country of purchase basis) amounting to $76 million, c.i.f.; the difference, after allowance for freight, probably indicates the size of Czechoslovak imports from the Sterling Area purchased through the United Kingdom. Czechoslovak statistics show in addition direct imports from the Sterling Area to the value of more than $20 million.

Switzerland has concluded agreements with Czechoslovakia, Hungary and Yugoslavia, all of which provide for the expansion of exports of foodstuffs from those countries in exchange for equipment, dyes and textiles from Switzerland. The proposed expansion of Swiss imports over actual imports in 1948 would appear to be greater than the expansion of exports.

The new Polish-French and Polish-Belgian agreements provide for increased deliveries of Polish coal in exchange for mining equipment from Belgium and machinery and raw materials from France.

5. THE SPECIAL PROBLEM OF GERMANY

Inter-Zonal Trade

The present situation of German trade, while difficult to analyse from the incomplete data available, reveals distortions and strains that must ultimately involve major and difficult readjustments. Not only is the low level of Germany's foreign trade conspicuous among the European countries, but the German economy also suffers considerable additional strain from the disruption of what was, before the war, internal trade. According to estimates based on the value of goods carried by the German transport system, the value of exchanges between Eastern and Western Germany amounted to at least $1,000 million in 1936. It is impossible to give an accurate estimate of the value of post-war inter-zonal exchanges, either in 1947 or in 1948, owing to the conflicting nature of the statistics.[1] All sources agree, however, in showing an extremely low level of inter-zonal trade which, in 1947, probably did not exceed a total turnover of Rm. 600 million, at current prices, but which tended to rise somewhat in the beginning of 1948. A virtual standstill appears to have been reached, according to official statistics, in the second half of 1948, following the deterioration of the situation in Berlin. The effects of this stoppage on German economic recovery are all the more serious as the geographic distribution of German industry was based upon an integrated economic system, where the various areas were mutually interdependent; on the one hand, there are the difficulties experienced by Western Germany, and the Ruhr in particular, as a result of being isolated from its normal sources of agricultural supplies in Eastern Germany; on the other hand, Eastern Germany is equally affected by isolation from the sources of its supplies of hard coal and steel. This interdependence extends throughout most of German industry, where it is common to find that the various stages of an integrated production process are carried out in different zones. In addition to the mechanical, fertilizer and chemical industries, the textile industry (in which the production and treatment of textile materials was concentrated in Western Germany, while 70 per cent of the spinning capacity was in the Soviet Zone) is a good example of an industry whose production in the various zones was interdependent.

The volume and nature of German external trade have to be considered against this background. For instance, the severance of the Bizone from its normal internal sources of supply has caused sugar imports from other countries to rise from 16,000 tons in 1938 to 539,000 tons in 1948[1] and imports of potatoes to rise from 112,000 tons in 1938 to 458,000 tons in 1948. The disintegration of the German economy is continuing. The existing plans in both the Eastern and the Western Zones have, as it were, an outward orientation. The economy of the Western Zones will be more closely linked to that of Western Europe and the economy of the Soviet Zone to that of Eastern Europe. Such an orientation presents major problems, since the German areas will be linked to economies which are, to a large extent, competitive rather than complementary to them. Thus, the Ruhr area, with its large agricultural deficit and industrial surplus, will be linked to other manufacturing countries which also have a large steel output and insufficient agricultural production. The Eastern Zone, on the other hand, where steel is probably the scarcest of all industrial materials, will be closely linked to the economies of other Eastern European countries, where the same steel shortage prevails. For the different German zones, this breaking-up of the complementary relations which existed in the former German economy will mean that a new pattern of trade will have to be established and new export markets gained in order to permit the higher volume of external trade which will be necessary to support a level of activity comparable with pre-war.

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[1] According to Eastern German sources, the Eastern Zone had a regular export surplus with the Western Zone. According to the Joint Export-Import Agency in Frankfurt and the Statistical Services of the French Zone, the Western Zones had a regular export surplus with the Eastern Zone. Furthermore, according to Joint Export-Import Agency figures, the Bizone had an export surplus with the French Zone, while according to the French statistics the opposite would have been true. Thus all zones appear to have enjoyed the benefit of multilateral trade.

[1] On the other hand, the Soviet Zone had a sugar surplus which could not be traded with Western Germany.

The Soviet Zone of Occupation

From the incomplete data available, it appears that the volume of trade of the Soviet Zone of Occupation is lower in relation to its economic potential than is the case in the other areas of Germany. Leaving aside trade with the Union of Soviet Socialist Republics, for which no figures are available, the total foreign trade turnover appears to have been somewhat below $200 million in 1948. There was a small export surplus with all Western European countries with which any significant exchange of goods took place (notably with Switzerland and the countries of Benelux and Scandinavia). This export surplus probably exceeded $35 million if goods exported by the Soviet-owned concerns, which some countries report as imports from the Soviet Union, are included. On the other hand, the Soviet Zone had a small import surplus in trade with Eastern European countries, chiefly with Poland and Czechoslovakia. In 1948, the exchange of goods with Poland was the most significant, not only in quantity, but also because Poland provided the Soviet Zone with much-needed supplies of hard coal, steel, power and foodstuffs in exchange for chemicals and machines. It has been announced that under the trade agreement concluded in March 1949, Poland is to take the place of the U.S.S.R. as the most important trading partner of the Soviet Zone. The volume of trade, which is estimated at $65 million in 1948, is to rise to $152 million in 1949. With the Soviet Union itself, trade has, so far, been conducted on a commodity barter basis. Recently, however, in view of the difficult economic situation of the Soviet Zone, the Soviet Union has increased its deliveries of essential goods, such as steel, tractors and fertilizers, without purchasing counterpart imports, thus, in effect, extending a credit to Eastern Germany. This picture might, however, be somewhat modified if account were taken of reparations [1] and of the trade of the Soviet-owned concerns in Eastern Germany, whose imports of raw materials and exports of manufactures are not treated as external trade.

French Zone of Occupation

In 1947, the French Zone of Occupation, including the Saar, had attained a small overall export surplus in its foreign trade, which was essentially due to a $65 million export surplus with France, while deficits of $54 million and $7 million were incurred with overseas countries and with Western Europe, respectively. In 1947, the exports of the area chiefly consisted of coal from the Saar and timber, the exports of which amounted to approximately $18 million and $40 million respectively. At the beginning of April 1948, the Saar became part of the customs territory of France. As a result, coal ceased to be an export item from the French Zone. Timber exports were maintained, but the nature of the export trade of the French Zone changed substantially as manufactured goods, notably of the chemical and light engineering industries, became more important. As a result, exports to France declined somewhat, and the export surplus with France was reduced to $14 million, while trade with other European countries expanded. However, an overall deficit of $74 million developed, which was covered almost entirely by dollar allocations under the European Recovery Programme.

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[1] Reparations were officially fixed at 10 per cent of gross production in 1948 and deliveries to the Soviet troops of occupation at 5 per cent ; these quotas were not, however, entirely filled. In 1949, a total of 12.4 per cent of gross production is to go to reparations and the troops of occupation.

The Combined U.K./U.S. Zone of Occupation

The Bizone of Germany presents one of the most difficult problems in the field of intra-European payments. After the currency reform, both production and exports rose considerably, imports appearing to reach a peak in the middle of 1948. However, while production stood at 75 per cent of 1936 by the end of the year, imports reached only one-half and recorded exports only one-sixth of the 1938 level if measured at pre-war prices. Exports were, in fact, higher than the recorded figures indicate. According to Military Government estimates, some $200 million worth of goods were taken out of the area by Allied personnel or exported illegally by German manufacturers to be credited to their accounts in foreign countries. With the progress of the Western German economy, a further substantial rise in exports can be expected in 1949. The geographical distribution of trade in 1948, however, presented a pattern which, unless it is drastically modified, will hamper the future development of West German trade.

Three striking features of the trade of the Bizone are shown in Table 89. The first is the abnormal dependence on imports from the United States. The second is the large export surplus with Western Europe and the third is the virtual absence of trade with Eastern Europe.

The dependence on United States sources cannot be entirely explained by the commodity composition of the Bizone's imports. Though a large part of the import requirements of the Zone still consists of basic foodstuffs and relief goods, the proportion of these which comes from the United States appears to be surprisingly high. For example, 4.1 million tons of the Bizone's total imports of 4.6 million tons of grain (the most important single item imported into the area) came from the United States in 1948, while in the case of wheat the whole of the 3 million tons which were imported came from the United States.[1] In contrast Europe as a whole obtained only 40 per cent of its total imports of grain from the United States. Imports of fruit and nuts,[2] of which $75 million were imported from the United States, are another example of the extraordinary dependence of the Bizone on the United States.

At the same time, a restrictive import policy was followed in trade with Western Europe. This cannot be explained by balance of payments difficulties, since Western Germany had an export surplus with most of the other Western European countries. For the last two years, the exports of the Bizone have consisted mainly of essential goods, such as coal, timber and machinery, as a result of which it has been possible for the Bizone to induce other European countries to settle the balances arising from their trade deficits in dollars. A number of countries — for example, Switzerland — have, however, indicated their unwillingness to accept such a situation, particularly when their exports are refused admittance into Western Germany while American goods of the same type are accepted. Some improvement in this situation may be expected in 1949 when the relaxation of import controls should bring about a more rational distribution of trade. At the same time, under the O.E.E.C. Payments Scheme, the Bizone has obtained drawing rights against certain other Western European countries, such as the United Kingdom and Belgium, with which it has hitherto had an export surplus. The effort to make use of these drawing rights, which is evident from recently concluded bilateral agreements, should result in a substantial increase in imports from these countries, while the drawing rights

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[1] These figures are derived from the *Statistisches Amt des Vereinigten Wirtschaftsgebietes.* According to the Joint Export-Import Agency, in the first eleven months of 1948, 4 million tons of grain were imported from the United States and 213 thousand tons from the rest of the world.

[2] 12,000 tons of canned peanuts appears to be the largest item in the group.

Table 89

THE EXTERNAL TRADE OF GERMANY

Millions of dollars in current prices

Germany's imports and exports	1938	1948		
	Total Germany	Total Germany	U.K./U.S. Zone [a]	Other zones of occupation [a]
Trade with United States :				
Imports	130	892	840	52
Exports	63	30	28	2
Trade with other overseas countries :				
Imports	570	306	285	21
Exports	536	49	43	6
Trade with Western European countries :				
Imports	802	511 [b]	357	154 [b]
Exports	1,107	737	538	199
Trade with Eastern European countries :				
Imports	334	77 [c d]	26	51 [d]
Exports	317	67 [d]	16	51 [d]
TOTAL :				
Imports	1,836	1,786	1,508	278
Exports	2,023	883	625	258

Sources. — The figures have been taken from Table XVI ; Reports of the Joint Export-Import Agency ; *Statistische Monatszahlen*, Statistisches Amt des Vereinigten Wirtschaftsgebietes; supplemented by trade statistics of other countries.

[a] The figures for " other zones of occupation " have been derived by difference from the totals and the figures for the U.K./U.S. Zone which are themselves estimates based on the sources mentioned above.

[b] These figures are not comparable with those given in Table XVI since $30 million, representing parcel post sent to the Occupation Forces, have been deducted from the British export statistics.

[c] This figure is not comparable with that given in Table XVI since $2 million have been added for imports of the U.S.S.R. from the U.K./U.S. Zone of Germany.

[d] Excluding trade between the U.S.S.R. and the Soviet Zone of Germany.

granted by the Bizone will also help to ease the strain on some of its debtors, such as France.

The problem of the level of trade with Eastern Europe appears to be of a more lasting character. The long-term plan presented by the Bizone to the O.E.E.C. provides for an almost complete restoration of Western Germany's pre-war trade with the Soviet Union and Eastern Europe. Figures for 1938 show that 18 per cent of German imports and 22 per cent of its exports were concentrated in this area ; the present plan aims at a figure of 20 per cent for imports and 19 per cent for exports. An enormous expansion will be needed in order to increase the present level of trade to the proposed level of about $550 million each way which these percentages represent. Any efforts that have so far been made to initiate this increase appear to have been on too small a scale to be significant, as is evident from the table given below. In the case of grain, only 60,000 tons were purchased from Eastern Europe in 1948.

The Bizone's Trade with Eastern Europe in 1948

(Million dollars at current prices)

	Imports c.i.f.	Exports f.o.b.
Bulgaria	—	—
Czechoslovakia	11	5
Finland	3	7
Hungary	5	2
Poland	4	1
Rumania	—	—
U.S.S.R.	2	—
Yugoslavia	1	1
Total	26	16

Four trade agreements have been concluded by the Bizone for 1949 — with Poland, Czechoslovakia, Hungary and Finland — which provide for a considerable expansion of trade over the 1948 level, but even so the total trade turnover will remain extremely modest, amounting to only some $60 million each way compared with the declared objective of some $550 million. One of the difficulties likely to be encountered in the future expansion of trade is the reluctance of Eastern European countries to restore trade with Germany to its former importance owing to the bitter memories left by German economic domination before the war. The problem of export licensing, which is applied by the Military Authorities in the Bizone in much the same way as in the United States, also appears to be serious. Eastern European countries willing to expand their trade with Western Germany may find their efforts frustrated by the impossibility of obtaining from that area the machinery and equipment which they need. Moreover, this policy may well prevent Western Germany from obtaining essential foodstuffs and raw materials in Eastern Europe, which would be a particularly serious development because of Western Germany's present separation from Eastern Germany.[1] Western Germany would thus be permanently dependent on very large-scale imports from overseas, which could only be financed by continuing American aid or by a tremendous expansion of exports to overseas markets, where Western Germany would have to compete vigorously with other Western European manufacturing countries.

6. RESTATEMENT OF PROBLEMS IN INTRA-EUROPEAN TRADE

The development of trade among European countries since the war reveals the extreme difficulties of evolving a smoothly functioning system of trade and payments relationships. Many difficulties were experienced during the past year, particularly in Western Europe, which threaten to impede further recovery, and the continuation of the present levels of trade can only be assured by continued financial aid from outside.

The detailed review given in the preceding sections suggests that three principal factors may be distinguished in the evolution of payments relationships during the past year:

(1) Much of the increase in trade was bilateral in the sense that trade expanded in both directions between each pair of countries—the growth of trade on this basis being made possible by the marked increase in the production of essential goods throughout Europe. In some instances, where closer bilateral balancing was attained at higher levels of trade, the strains previously experienced tended to diminish.

(2) Some progress was also made in restoring a multilateral system of trade and payments. The clearest instance of this was in East-West trade, where the development of a substantial surplus of exports from Eastern Europe to the United Kingdom and other Western European countries enabled Eastern Europe to purchase cotton, wool, rubber and other goods in overseas countries largely through the transfer of sterling, whose position as an international currency strengthened appreciably during the year.

(3) For the remainder, the growth of trade during 1948 was made possible only through the financing of unbalanced positions by extraordinary or emergency resources. This was particularly true of the countries of Western Europe, where the working of the multilateral compensation plan continued to be hampered by the unresolved problem of overall creditor and debtor positions. The growth of trade was thus financed through the depletion of the previously acquired sterling balances

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[1] The Eastern area which has been ceded from Germany was even more important than the Soviet Zone as a food exporter. The per capita production of grain, for instance, was, before the war, 640 kilogrammes in the ceded areas compared with 460 kilogrammes in the Soviet Zone and 146 kilogrammes in the Bizone.

held by Continental European countries, which financed their deficits with the United Kingdom and, towards the end of the year, through the drawing rights established as a counterpart to American aid.

The problem of developing a self-sustaining multilateral flow of trade did not therefore seem appreciably nearer solution at the end of the year than it was at the beginning. The more solid and secure increases in trade during 1948 emerged in bilateral trading where export and import increases were directly offset by each other.

The great strength of the system of bilateral trade is that it provides a definite framework within which trade expansion can be achieved without risk of increasing the lack of balance in the overall trading position of the country concerned. On the other hand, its disadvantages as a means of conducting trade make it inevitable that countries should constantly seek means of breaking away from it. Under the system of bilateral trade, the position of small trading countries tends to be particularly difficult. In their relations with one another it is a coincidence if their exports, which are frequently specialized in character, can be made to offset one another in the appropriate amounts, and in such cases close bilateral balancing may be attained only at a low level of trade. The small countries also find themselves at a disadvantage in bilateral bargaining with large countries on which they may depend for their major market outlets.

The dismemberment of a unified price system, discussed in Chapter 5, and the inability to buy and sell in the markets offering the most advantageous terms, are the most serious disadvantages of a system of bilateral trading (although in this connection the greater stability and the protection it affords against violent price fluctuations and disruptions in trade must also be borne in mind). Moreover, these characteristics tend to make the system of bilateral trade self-perpetuating, in that countries trading with one another under the protection it provides may develop price and production structures which may handicap their effective participation in other markets where convertible currencies can be acquired.

Currency Convertibility in European Trade

On the other hand, the restoration of a system of convertible currencies—even if confined to European countries—entails serious risks, especially for countries whose balance of payments position is weak *vis-à-vis* the other members of the group. A country prematurely undertaking to establish currency convertibility exposes itself to the danger that other countries will reduce their purchases from it in order to earn trade balances that can be transferred into other currencies which are more urgently required. Self-defence would in turn compel the country to curtail its own imports, with the result that trade both ways is diminished. Thus the acceptance of mutual obligations for the interconvertibility of European currencies might lead to the competitive curtailment of imports in a vain and mutually incompatible endeavour by the various countries to obtain more of the scarce currencies they desire. Moreover, so long as overall debtor and creditor positions exist, free interconvertibility among European currencies would, as was indicated in Section 2 of this chapter, cause the various bilateral debit and credit balances to become concentrated in obligations owed by the main debtors to the main creditors. The danger facing the debtor countries is that this concentration of their obligations into one or a few principal channels would cause them to exceed the possible credit ceilings and give rise to demands by the creditors for large settlements in gold or dollars. The danger facing the creditors is precisely that their demands for settlement could not be met, and that their claims would remain blocked in the weakest currencies.

The argument is frequently advanced that overall creditor or debtor positions are merely a reflection of artificially pegged exchange rates, and that, if relative exchange rates were adjusted to some equilibrium level, the overall deficits or surpluses in the balance of payments, and hence the obstacles to the introduction of convertibility, would disappear. In the present conditions of Europe, this reasoning has only a limited and uncertain validity. Since imports in most countries are rigidly controlled, it is doubtful whether the exports of the countries possessing the weaker currencies would be appreciably raised merely by the incentive of lower prices; and if they were not raised, export proceeds would be reduced and the balance of payments position would be aggravated rather than alleviated by the fall in the exchange rates. Similarly, precisely because imports consist largely of essential items, the rise in the prices of imported goods, following such a devaluation, would not in itself lead to any appreciable reduction in purchases. The adjustment of exchange rates can only be regarded as a cure for disequilibrium in situations where relative prices exert a large influence on the levels of exports and imports. The surplus and deficit positions which developed in intra-European trade after the war were not, however, mainly due to the various countries selling at relatively low or high prices, but were due rather to their relative ability to supply the essential goods which other countries were anxious to buy.[1] In such circumstances, the method of bringing about equilibrium through the adjustment of exchange rates can be effective only at the cost of very large and haphazard shifts in real income between the different countries. There is the danger, moreover, that, in countries where monetary stability is only precariously maintained, currency devaluation might merely renew or accelerate the inflationary process without leading to any lasting reduction in export prices.[2]

While it is thus correct to say that the introduction of a system of convertible currencies is possible only between countries whose current transactions are in approximate overall balance, it would be wrong to suggest that in the present situation in Europe the necessary conditions for convertibility can be suddenly created through a general readjustment of relative exchange rates. A more practicable, but more limited alternative is the establishment of convertibility among a restricted group of countries which excludes both the overall debtor countries and the overall creditor countries. This is, in fact, the cautious and gradual approach underlying the sterling transferable accounts system, which at present includes nine European countries and links them to the Sterling Area and to a number of other overseas countries in an international settlements system of growing importance.[1] An instructive feature of this system is that membership in it has been extended only to countries which show a reasonable prospect of maintaining balance in their sterling transactions and which have a system of exchange control considered effective enough to prevent misuse of sterling. It does not include countries (notably Belgium) which, because of the strength of their balance of payments, would be likely to accumulate sterling in amounts greater than they are prepared to hold without demanding settlement in gold or dollars.

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[1] In fact, the export prices of the country with the strongest position in intra-European trade—that is, Belgium—have been unusually high rather than low in relation to the export prices of most other countries (*cf.* Chapter 5).

[2] The above argument is confined to the question of currency devaluation as a means of introducing convertibility in intra-European trade. The question of an adjustment of exchange rates in relation to overseas trade has different aspects which will be discussed in Chapter 9 below.

[1] The present European members of this system are Czechoslovakia, the Netherlands monetary area, Finland, Italy, Norway, Poland, the Spanish monetary area, Sweden and the Soviet Union. An essential feature of the system is that countries belonging to the transferable accounts group have the right to use sterling for the settlement of current transactions with other countries in the group and within any part of the Sterling Area, and the obligation to accept sterling payments for similar purposes from the same group of countries. For such countries, therefore, sterling becomes a convertible currency, although the number of countries embraced in the system is limited. On the other hand, the members of the transferable accounts group are not under an obligation to make their own currencies convertible into sterling, except for settlements within the Sterling Area. The area of sterling transferability is further widened by sterling payments to and receipts from countries outside the transferable accounts group. Such payments are, however, subject to varying degrees of administrative control by the United Kingdom, determined in part by the sterling position of the countries concerned. Thus Sweden was granted, early in 1949, the right to use transferable account facilities on an administrative basis in third countries outside the transferable accounts group.

Patterns of Trade

Before the war, some countries maintained substantial overall creditor or debtor positions in intra-European trade, the two major instances being the large deficit of the United Kingdom which it was able to settle in convertible currency out of its surplus of earnings overseas, and the large overall surplus of Germany which enabled it to maintain an adverse balance in overseas trade. Since neither the United Kingdom nor other European countries can count on developing surpluses of earnings in their overseas trade in the foreseeable future, it follows that none of them will be able to afford a substantial deficit in intra-European trade. In fact, the United Kingdom, instead of being a source of convertible exchange for other European countries as in the past, has itself developed a large export surplus in intra-European trade in 1949. This was due more to the severe contraction of British imports compared with pre-war, particularly in trade with the Western European countries, than to the expansion in British exports, and it led to the somewhat anomalous situation that, while on the one hand British imports from Western European countries were severely restricted, on the other hand the United Kingdom also granted drawing rights to Western European countries to finance its surplus of exports.

This, of course, could only be regarded as a temporary expedient which, at the latest, would come to an end with the completion of the European Recovery Programme. Hence, unless the United Kingdom's imports from other European countries were to be considerably expanded, its exports to Europe could hardly be maintained at their present levels.[1]

The ability of the United Kingdom to raise its level of imports from Europe will depend upon the extent to which such imports consist of essential goods that would otherwise have to be obtained from overseas hard-currency areas. The increased production of foodstuffs in Western Europe, particularly in France, offers certain possibilities in this direction. A solution of the sterling problem of Western Europe could, however, be more advantageously brought about through the development of a multilateral pattern of trade. The United Kingdom already had an import surplus in 1948 from the countries of Eastern Europe from which it is obtaining supplies of basic commodities, although in a smaller volume than before the war. The net sterling receipts of Eastern European countries could be raised further if they expanded their exportable surpluses of foodstuffs and other primary goods for sale in the United Kingdom. This in turn would provide other Western European countries with an opportunity to earn sterling in Eastern Europe if they are prepared to offer—out of their expanding industrial production—capital equipment and other manufactures required by Eastern European countries to carry out their development plans.

A similar pattern may help to provide the solution to the still more serious problem of Germany's position in intra-European trade. Because of its traditional dependence on an export surplus to other European countries, the readjustment of Germany to the changed post-war situation might be difficult under the most favourable conditions. As it is, the problem has been greatly aggravated by Germany's very late start in trade recovery and by the breakdown of historical trade channels both within Germany and between Germany and Eastern Europe. The export surplus which Germany had in 1948 with the Western European countries will prove difficult to maintain and could scarcely be relied upon as a source for financing imports from overseas countries in future years. Germany's own exports to overseas countries in 1948 remained insignificant in relation to her volume of imports, particularly from the United States. Unless Germany's exports to overseas countries show a truly phenomenal increase, her present great dependence on financial aid could not be significantly reduced without the restoration of imports from the traditional sources in Eastern Europe.

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[1] In fact, the United Kingdom's long-term programme contemplates a reduction of exports to other O.E.E.C. countries from $1,947 million in 1948/49 to $1,767 million in 1952/53.

Serious obstacles, however, stand in the way of the development of East-West trade and the contribution which it could make towards a more rational pattern of intra-European trade, as well as towards the solution of the problem of Europe's overseas balance of payments. One of these is the lack of integration of the various national recovery and development plans. Unless the expansion of production and trade in a mutually beneficial pattern is adopted as a common objective, it cannot be assumed that the separate national plans now shaping the internal economic structure of European countries will blend harmoniously in a way conducive to the solution of Europe's present problems. On the contrary, the review of these plans given in the following chapter points rather to certain tendencies towards a further disintegration of the European economy.

In addition to the failure to utilize the post-war opportunities for a unified development of Europe, the present trend is in the direction of positive acts of interference and restriction in trade. Following upon the restrictive export licensing policy of the United States, a similar trend is also developing in Western Europe, as shown by the recent introduction by the United Kingdom of a new system of export licensing specifically aimed at controlling the movement of products which, while having a potential military value, are also indispensable to ordinary economic life and growth. The trend is also apparent in Eastern Europe in the abrupt slashes made by the Union of Soviet Socialist Republics and other Eastern European countries in their trade with Yugoslavia, which must involve a serious dislocation in its foreign trade with important repercussions on its internal life and development plans.

It is not in the province of this SURVEY to comment in any way on the policies underlying these interferences in trade, but if political dissensions do not give way to more positive acts of co-operation, the economic consequences will inevitably take the form of a further division of Europe and a failure to develop those complementary trading relations which would help the various national economies to overcome their present weaknesses and their abnormal dependence on outside support.

Chapter 8

THE PROGRESS IN PLANNING

1. Introduction

In last year's Survey, the nature of the economic plans of the various European countries was extensively reviewed.[1] Since then, economic planning has made further progress all over Europe. The countries of Western Europe, under the ægis of the Organization for European Economic Co-operation, prepared detailed short-term programmes for the year 1948/49, and long-term programmes relating to 1952/53. The countries of Eastern Europe—which also recently created a regional organization, the Council of Mutual Economic Assistance—prepared a number of new long-term plans to follow the completion of their current plans—*i.e.*, the new Five-year Plans of Czechoslovakia, Bulgaria and Hungary, and the Six-year Plan for Poland. In addition, short-term plans were published for Rumania, Albania and the Soviet Zone of Germany. Thus, with the exception of Finland, Switzerland and Spain, there are economic plans of some kind for every country of Europe.

The range of economic planning and the methods of control employed for its execution, however, differ widely in the various countries. In the countries of Eastern Europe, where manufacturing industry is almost wholly nationalized, the plans extend to the detailed operations of each branch of industry and their execution is controlled both through the allocation of materials and through the supervision of the accounts of individual enterprises. Among the countries of Western Europe, the central direction of economic life is far more restricted in scope and less direct in its influence. The greater part of manufacturing industry is run by private enterprise and continues to be guided by the price mechanism—supplemented to varying degrees by rationing and allocation systems. In comparison with the pre-war situation, however, there is an important difference in that most countries now attempt to formulate a set of consistent objectives for economic policy in quantitative terms and to use their available means of control—*i.e.*, the licensing system in foreign trade, controls over raw materials, taxes and subsidies, and controls over credit or the capital market—to further their realization. Hence the published " targets " of the Western European countries, whether they relate to production, manpower, investment, exports or imports, imply generally something more than a mere forecast of prevailing trends, but something very much less than the summarization of a definite operational plan. They are perhaps best regarded as the quantitative expressions of the rate and direction of economic change to be fostered by government policy. While the day-to-day running of the economy in the Western European countries is left largely and, it seems, increasingly under the control of market forces, the development of productive resources through capital investment proceeds in most countries under central guidance, if not under strict central direction.

Thus, in the large majority of European countries, central economic planning will probably exert a powerful, if not a determining, influence on the ways in which the economies of the individual countries will develop in future years. The danger inherent in the present methods of planning is that they will influence the economic development of individual countries in a more autarkic direction and thus lead to the increased economic isolation of the individual countries of Europe from each other. This is almost inevitable, so long as economic plans are drawn up separately for each national area and controls over foreign trade are operated on a purely national basis.

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[1] *Op. cit.*, Appendix A, pages 123-186.

The fact that foreign trade is beyond the full control of the planning authorities limits the extent to which the activity of the various sectors of an economy, which are dependent on foreign trade, can be determined in advance through central planning. Hence, in the choice between developing export industries or industries providing substitutes for imports, the planning authorities have a natural bias in favour of the latter, for the simple reason that costs and returns can be calculated with a fair measure of assurance in the one and not in the other. This bias in favour of self-sufficiency may not present a serious hindrance to the efficient utilization of resources when the planning area is as large and as rich in natural resources as the Union of Soviet Socialist Republics. For most other European countries, however, the trend towards greater self-sufficiency must inevitably run counter to a rational use of manpower and natural resources.

The avowed aim of much current economic planning is to bring about a higher degree of integration of the European economy. Yet the observable tendencies appear to move in the opposite direction. This is true not only in relations between two great complementary regions, the West and the East of Europe, where political cleavage hampers the development of economic co-operation ; it also appears to be true within these two regions, owing to the rigid trading framework within which economic controls operate, and owing to the absence so far of any satisfactory mechanism for extending long-range planning to the field of international trade. To secure a higher degree of economic integration and thus a more rational use of the resources of Europe, it would be necessary either for each country to adopt more liberal economic policies or to advance towards more uniform standards of economic planning. A return to economic liberalism might foster the integration of the European economy through the gradual elimination of intra-European trade barriers and the creation of a single interrelated currency system. Conversely, a greater degree of uniformity in the methods of planning might permit a higher degree of integration between the individual planned economies, through the institution of proper agencies for the co-ordination of plans and the negotiation of long-term contractual arrangements for the development of trade. The danger is that the nations of Europe will reject the one and shirk the other and will pursue instead half-way solutions, as the result of which their efforts at greater economic integration will prove abortive.

2. PLAN FULFILMENT IN 1948

The simplest test of the efficacy of economic planning is the extent to which the plans are actually fulfilled. 1948 is the first post-war year for which planned figures on production, investment or foreign trade are available for most European countries and, before examining the economic plans for future years, it may be interesting to compare the plans for 1948 with the actual results achieved. Percentages expressing plan fulfilment must, however, be interpreted with caution, since they are influenced by two main factors which cannot be separated from each other.[1] One is the differing degree of optimism or pessimism with which the plans were drawn up, and the other is the degree of effort which went into the carrying-out of the plans. Thus high percentages of plan fulfilment may be a reflection of inadequate planning just as much as low percentages. Attention must also be paid to the interrelation of the degree of plan fulfilment in the different sectors of the economy. In so far as the plans were internally consistent, over-fulfilment in one sector does not necessarily compensate for under-fulfilment in another sector. In fact, under-fulfilment in a particular sector may create bottlenecks in production out of proportion to the importance of that sector in the national economy.

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[1] In addition, in some countries, official plan fulfilment percentages relate to revised operational plans, rather than to the original planned figures. Such revisions may be carried out annually, or, in some cases, quarterly in the light of the performance of the previous period.

The information presented below suggests that the countries of Western Europe have fulfilled their export plans and investment plans satisfactorily, while their plans for the production of basic commodities were not completely fulfilled. The countries of Eastern Europe show a satisfactory record in their production plans and a higher degree of fulfilment in their trade plans than in the previous year. Their investment plans were not, however, completely fulfilled. In the Union of Soviet Socialist Republics, the record of plan fulfilment in 1948, both overall and in its individual branches, was more favourable than in the two previous years.

Plan Fulfilment in Western Europe

For the Western European countries, plan figures are available for the production of basic commodities, for imports and exports and also for capital investment (for a limited number of countries only). The planned and actual levels of production for the major producers of coal, electric power, steel, pig-iron, iron ore and softwood are shown in Table 90. It appears that the plans were considerably over-fulfilled for pig-iron and crude steel and that they were nearly fulfilled for coal. In the case of electric power, the average percentage of fulfilment was 94 per cent, for softwood 87 per cent and for iron ore only 80 per cent. In the case of coal, actual production was very near the targets in all countries, except in France, where the strikes towards the end of the year caused a reduction of output. The production of electric power was also near the targets or above them, except in Sweden, where it was limited by the shortage of water, and in Western Germany, where it was limited by the failure to put sufficient generating capacity into operation. Production of iron ore fell seriously behind the plans in Luxemburg and France,[1] and, in the case of softwood, production fell particularly short of the targets in Norway and Sweden.

The O.E.E.C. countries have also submitted detailed programmes for their trade with the various trading areas of the world for the year beginning 1 July 1948. In Table 91 these programmes, expressed at half-yearly rates, are compared with the figures for actual trade in the six months July-December 1948, both expressed in terms of dollars. According to the figures derived from trade returns, total exports were running 8 per cent above the programme rates and total imports 3 per cent below the programme rates. It is interesting to observe that in the trade between participating countries the trade plans were more closely fulfilled, so that the difference between the programmes and results is concentrated in the sphere of trade with the outside world. Exports to South and Central America exceeded the plans by no less than 22 per cent, to the Sterling Area by 18 per cent and to North America by 14 per cent. In total, exports to the outside world in the second half of 1948 were, in fact, close to the level laid down for the year 1949/50.[2]

On the side of imports, actual imports from other non-participating countries (i.e. Eastern Europe, the Far East and the Middle East) exceeded the programmes by 19 per cent, but imports fell short of the programmes by 15 per cent from North America and by 11 per cent from the Sterling Area. For South and Central America, on the other hand, the import plans were more closely fulfilled. If the second half of the programme year 1948/49 turns out as favourably as the first half, the actual balance

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[1] It should be noted, however, that the planned figures for iron ore (as distinct from pig-iron and steel) are based on the original plans published in the *Technical Report*, Vol. II, of the Committee of European Economic Co-operation, July-September 1947.

[2] *Cf.* Table 110 below.

Table 90

PLANNED AND ACTUAL PRODUCTION OF PRINCIPAL INDUSTRIAL COMMODITIES IN O.E.E.C. COUNTRIES IN 1948

Country	COAL AND LIGNITE (million tons, ton for ton)			ELECTRIC POWER (thousand million kWh)			CRUDE STEEL (million tons)		
	Plan	Actual	*Actual as % of planned*	Plan	Actual	*Actual as % of planned*	Plan	Actual	*Actual as % of planned*
Belgium-Luxemburg	26.5	26.7	*101*	7.0[a]	7.9[a]	*113*[a]	5.8	6.4	*110*
France	64.5[b]	57.8[b]	*90*[b]	29.1	27.5	*95*	7.6	7.3	*96*
Germany : Western zones .	149.1	153.3	*103*	29.7	21.4	*72*	4.1[c]	5.5[c]	*134*[c]
Italy.	—	—	—	23.5	22.5	*96*	2.1	2.1	*100*
Netherlands	11.4	11.3	*99*	4.7	4.9	*104*	..	..	..
Norway	—	—	—	12.1	12.4	*102*	..	..	..
Sweden	—	—	—	16.0	14.2	*89*	1.1	1.2	*109*
United Kingdom	214.0	210.8	*99*	44.4	46.5	*105*	14.2	15.1	*106*
TOTAL	465.5	459.9	*99*	166.5	157.3	*94*	34.9	37.6	*108*

Country	PIG-IRON AND FERRO-ALLOYS (million tons)			IRON ORE (metal content, million tons)			SAWN SOFTWOOD (million cubic metres)		
	Plan	Actual	*Actual as % of planned*	Plan	Actual	*Actual as % of planned*	Plan	Actual	*Actual as % of planned*
Belgium-Luxemburg	5.9	6.6	*112*	1.8[d]	1.0[d]	*56*[d]	..	..	..
France	6.8	6.6	*97*	14.0[e]	9.1[e]	*65*[e]	3.3	3.0	*91*
Germany : Western zones .	3.5[c]	4.6[c]	*131*[c]	2.1	1.9	*90*	4.2[c]	4.8[c]	*114*[c]
Italy.	0.6	0.6	*100*	—	—	—	..	..	..
Netherlands	0.3	0.4	*133*	..	..	..	..	..	..
Norway	..	..	..	..	..	..	1.9	1.5	*79*
Sweden	0.8	0.8	*100*	8.2	8.0	*98*	6.7	4.7	*70*
United Kingdom	9.3	9.5	*102*	3.8	4.0	*105*	..	..	..
TOTAL	27.2	29.1	*107*	29.9	24.0	*80*	16.1	14.0	*87*

Sources. — The plan figures have been taken from *Technical Reports*, Vol. II, Committee of European Economic Co-operation, July-September 1947, supplemented by data furnished by the Steel Division, Economic Commission for Europe. Estimates of actual production were taken from tables in Chapter I and in Appendix C, except for lignite, data for which were taken from the *Monthly Bulletin of Statistics*, United Nations.

[a] Excluding Luxemburg.

[b] Including the Saar.

[c] U.K./U.S. Zone only.

[d] Luxemburg only.

[e] Including the Saar and French North Africa.

Table 91

FULFILMENT OF IMPORT AND EXPORT PROGRAMMES OF THE O.E.E.C. COUNTRIES IN THE PERIOD JULY-DECEMBER 1948

Millions of dollars in current f.o.b. prices

Country	United States, Canada and Newfoundland		Other Western Hemisphere		Sterling Area		Other non-member countries		Total non-participating countries			Member countries and their dependent overseas territories[a]			TOTAL all countries		
	Pro-gram	Actual	Pro-gram	Actual	Pro-gram	Actual	Pro-gram	Actual	Pro-gram	Actual	*Fulfil-ment (per cent)*	Pro-gram	Actual	*Fulfil-ment (per cent)*	Pro-gram	Actual	*Fulfil-ment (per cent)*
porting countries :																	
ustria	90	38[b]	15	2	9	3	35	41	149	84	*56*	91	73	*80*	240	157	*65*
elgium[c][d]	194	163	112	70	57	39	52	76	415	348	*84*	468	527	*113*	883	875	*99*
enmark	65	50	16	15	24	4	49	59	154	128	*83*	211	231	*109*	365	359	*98*
rance[e]	302	219	83	122	149	148	72	191	606	680	*112*	759	768	*101*	1,365	1,448	*106*
ermany[f]	371	408	74	52	32	37	33	69	510	566	*111*	288	275	*95*	798	841	*105*
eland	7	6	—	3	—	—	3	5	10	14	*140*	14	19	*136*	24	33	*138*
reland	44	27	15	9	18	17	8	10	85	63	*74*	152	156	*103*	237	219	*92*
taly	263	238	117	108	75	94	59	78	514	518	*101*	186	177	*95*	700	695	*99*
etherlands	180	157	66	70	34	22	93	80	373	329	*88*	470	533	*113*	843	862	*102*
orway	74	56	14	17	9	10	26	38	123	121	*98*	159	241	*152*	282	362	*128*
ortugal[e]	46	38	9	11	2	7	2	8	59	64	*108*	90	107	*119*	149	171	*115*
weden	84	70	39	37	26	24	80	99	229	230	*100*	314	367	*117*	543	597	*110*
nited Kingdom	769	682	412	431	975	850	539	480	2,695	2,443	*91*	1,434	1,258	*88*	4,129	3,701	*90*
urkey[e]	83	30	4	1	7	4	9	23	103	58	*56*	58	67	*116*	161	125	*78*
OTAL	2,572	2,182	976	948	1,417	1,259	1,060	1,257	6,025	5,646	*94*	4,694	4,799	*102*	10,719	10,445	*97*
ulfilment (per cent)	*85*		*97*		*89*		*119*		*94*			*102*			*97*		
porting countries :																	
ustria	5	7	3	3	1	3	21	28	30	41	*137*	65	76	*117*	95	117	*123*
elgium[c][d]	45	70	68	91	38	50	83	88	234	299	*128*	553	561	*101*	787	860	*109*
enmark	15	30	6	6	7	8	39	45	67	89	*133*	219	211	*96*	286	300	*105*
rance[e]	39	44	50	44	31	20	80	79	200	187	*94*	867	917	*106*	1,067	1,104	*103*
ermany[f]	20	20	10	5	16	12	11	17	57	54	*95*	346	313	*90*	403	367	*91*
celand	2	1	—	—	—	—	2	6	4	7	*175*	19	23	*121*	23	30	*130*
reland	0.7	1	—	—	0.1	—	4	2	5	3	*60*	99	103	*104*	104	106	*102*
aly	25	56	71	161	32	90	75	106	203	413	*203*	220	284	*129*	423	697	*165*
etherlands	19	23	27	20	35	27	69	70	150	140	*93*	394	430	*109*	544	570	*105*
orway	14	20	8	7	12	19	29	38	63	84	*133*	133	125	*94*	196	209	*107*
ortugal[e]	11	12	8	7	1	2	6	6	26	27	*104*	64	63	*98*	90	90	*100*
weden	46	32	42	41	31	45	70	99	189	217	*115*	306	395	*129*	495	612	*124*
nited Kingdom	296	294	240	268	935	1,075	353	316	1,824	1,953	*107*	1,427	1,397	*98*	3,251	3,350	*103*
urkey[e]	18	24	1	1	2	1	17	23	38	49	*129*	60	64	*107*	98	113	*115*
TOTAL	556	634	534	654	1,141	1,352	859	923	3,090	3,563	*115*	4,772	4,962	*104*	7,862	8,525	*108*
Fulfilment (per cent)	*114*		*122*		*118*		*107*		*115*			*104*			*108*		

Sources. — The figures for the trade programmes were taken from *Report to the Economic Co-operation Administration on the First Annual Programme*, O.E.E.C., Paris, 1948. The figures for actual imports and exports were computed from national trade statistics.

NOTES. — The programmes show the values of trade laid down for the year July 1948 to June 1949 presented at a half-yearly rate. The figures for actual trade show the value of imports and exports in the period July to December 1948. The programmes are expressed in the prices forecast for the year 1948/49 while the actual figures were converted into dollars (after adjustment of imports to an f.o.b. basis) by applying current exchange rates. The figures for the French Zone of Germany, Greece and Trieste have been excluded owing to insufficient data.

[a] Including trade with all the dependent overseas territories of member countries including those in the geographic areas shown in other columns.

[b] Based on United States export statistics.

[c] Since a detailed break-down of Belgium's trade by countries of origin and destination was not available for the period July-December 1948, the figures have been estimated on the assumption that the geographic distribution of trade in this period between those areas for which data were lacking was proportionate to the distribution in the rest of the year.

[d] Including Luxemburg.

[e] The figures cover the five months July-November expressed at six-monthly rates.

[f] U.K./U.S. Zone.

of merchandise trade of the O.E.E.C. countries with the outside world will be some $1,700 million, and with the Western Hemisphere $1,200 million, more favourable than was planned. It is possible of course that the greater part of the import programme is concentrated on the second half of the year. On the other hand, exports are showing a steadily rising trend, and they too will probably be larger in the second half of the year.

In looking at the figures for individual countries, it must be remembered that the programmes of the smaller countries are likely to differ from the actual results by higher percentages than those of the larger countries, which are larger units in the world economy and trade in a greater number of commodities. A study of the individual countries' figures indicates that Austria, Italy and Sweden have seriously under-estimated their export potentialities, while Austria also appears to have over-estimated its import requirements. On the other hand, Iceland, Norway, Portugal and the Bizone of Germany, contrary to general tendencies, appear to have under-estimated their import requirements more than their potential exports.

Investment plans for 1948 were published for five Western European countries: France, the United Kingdom, Denmark, Norway and Sweden. In Table 92 the provisional results of actual gross investment in fixed capital have been expressed in prices which were used in drawing up the plans. It appears that the United Kingdom has substantially exceeded its investment plan, while the other countries exceeded their plans moderately. In the case of the United Kingdom, measures were taken to restrict capital formation as part of the general anti-inflation policy, but the level of national production, particularly the output of steel which was considered to be one of the main factors limiting investment, rose faster than was expected and thus made possible a higher level of capital formation than had been foreseen. In France, less work was carried out on repairs and maintenance and about 9 per cent more on new construction than was planned.

Table 92

PLANNED AND ACTUAL INVESTMENT OF O.E.E.C. COUNTRIES IN 1948

Gross investment in fixed capital in 1947 prices

Country	Unit	Planned	Actual	*Actual as per cent of planned*
United Kingdom . . .	Millions of £ sterling	1,625	1,850	*114*
France [a]	Thousand million francs	713	723	*101*
Denmark	Million kroner	3,220	3,436	*107*
Norway	Million kroner	3,566	3,755	*105*
Sweden	Million kronor	6,350	6,450	*102*

Sources. — The figures are derived from national publications. For details and methods of computation, see Appendix B.

[a] Based on prices in November 1947.

Plan Fulfilment in Eastern Europe

Figures of plan fulfilment for the Eastern European countries indicate that the plans for production were, on the whole, fulfilled, but that the investment plans and the foreign trade plans were not always fulfilled. The failure to carry out the investment plans fully may have been due, to some extent, to the generally low level of output in the building industry and also to the failure to import investment goods in the expected volume.

The fulfilment of production plans, as is shown in Table 93, appears to be particularly favourable in Poland and Hungary, especially if account is taken of the fact that the plans represent a considerable increase in production in all branches in comparison with the previous year. In Hungary, as a result of the progress in fulfilling the production plan, it was decided to carry out the three-year plan in a period of two years and five months. In Czechoslovakia, the overall percentage of plan fulfilment and the actual increase in manufacturing production

Table 93

FULFILMENT OF PRODUCTION PLANS IN EASTERN EUROPEAN COUNTRIES

Percentages

Sector	POLAND						CZECHOSLOVAKIA					
	1947			1948			1947			1948		
	Production as per cent			Production as per cent			Production as per cent			Production as per cent		
	of Plan	of 1946	of 1938	of Plan	of 1947	of 1938	of Plan	of 1946	of 1938	of Plan	of 1947	of 1938
TOTAL	120	124	84	107	119	100	92	110	..	97	..	..
Agriculture	101	104	53	106	125	67	67	75	53	90	105	85
Mining	122	128	125	110	124	133	101	110	87	100	109	113
Manufacturing	122	156	104							103	118	103
(a) metals and engineering	..	180	125	..	..	..	97	..	97	102	124	120
(b) other manufacturing	..	..	..	..	..	..	..	..	..	..	..	..
Handicrafts	..	146	93	..	..	..	..	..	..	..	..	..
Building	139	117	83	95	135	106	69	130	..	85	160	..
Transportation	101	122	146	110	129	171	98	123	107	107	111	118
Trade (internal)	..	127	81	105	103	94	..	..	..	..	..	..

Sector	HUNGARY			YUGOSLAVIA		BULGARIA					
	1947/48			1947	1948	1947			1948		
	Production as per cent			Production as per cent		Production as per cent			Production as per cent		
	of Plan	of 1946	of 1938	of Plan	of Plan	of Plan	of 1946	of 1938	of Plan	of 1947	of 1938
TOTAL	103	137	87	..	100	..	..	..	..	..	..
Agriculture	99	128	75	97	99	74	107	78	86	138	102
Mining	105[a]	121	127	..	94	85	..	175	..	..	..
Manufacturing	108[b]	164	95	106	100	85	115	120	99	139	168
(a) metals and engineering	127	..	131	..	..	62	121	89	106	..	..
(b) other manufacturing	..	..	..	..	..	..	105	..	..	..	..
Handicrafts	98	120	60	..	..	..	109	..	..	..	..
Building	107	..	110	..	101	..	..	..	102	..	..
Transportation	102	134	85	104	100	..	143	123	99	102	143
Trade (internal)	103	130	83	..	96	..	..	..	..	..	..

Sources. — The figures are derived from national publications. For details, see Appendix B.

NOTE. — The data are based on gross value of output, except for Hungary, where they refer to the net value of output.

[a] For the last five months of 1948 100 per cent of plan, 107 per cent of 1947 and 144 per cent of 1938.

[b] For the last five months of 1948 110 per cent of plan, 152 per cent of 1947 and 121 per cent of 1938.

Table 94

PRODUCTION PLAN FULFILMENT OF MINING AND MANUFACTURING PRODUCTS IN EASTERN EUROPEAN COUNTRIES IN 1947 AND 1948

In physical units and percentages of 1938 and of planned production

Commodity	Countries [a]	Production				Index numbers *(1938=100)*		Per cent fulfilment of Plans	
		Unit	1938 [b]	1947	1948 [c]	1947	1948	1947	1948
Mining :									
Coal	PCHR	Million tons	56	77	89	136	159	93	103
Brown coal and lignite	PCHRYB	Million tons	36	50	56	134	149	99	98
Crude petroleum	PHR	Million tons	7.2	4.7	5.1	65	71	103	102
Iron ore	PCH	Million tons	3.0	2.2	2.4	72	78	93	104
Electricity :									
Electric power	PCHYB	Thousand million kWh	11	17	20	161	175	101	104
Metals and engineering :									
Pig-iron	PCHR	Thousand tons	3,030	2,690	3,290	89	109	100	106
Crude steel	PCHRY	Thousand tons	4,890	4,900	6,030	100	123	103	109
Locomotives	PC	Number	100	436	548	436	548	101	98
Wagons	PC	Thousands	2	25	26	1,260	1,320	103	96
Tractors	C	Number	240	5,579	9,100	2,330	3,790	99	103
Motor vehicles	C	Number	8,410	8,360	13,210	99	157	81	94
Gross output of engineering industries [d]	PCHB	Millions of dollars (in 1948 prices)	446	475	769	107	174	102	108
Building materials :									
Bricks	CH	Million pieces	1,678	836	1,059	50	63	94	91
Cement	PHRYB	Thousand tons	3,430	3,660	4,280	107	125	105	98
Wood and paper :									
Wood-pulp	P	Thousand tons	78	89	110	114	141	90	98
Paper	PCH	Thousand tons	449	472	560	105	125	109	110
Chemicals :									
Sulphuric acid	PCHR	Thousand tons	457	390	526	86	115	99	102
Nitrogenous fertilizers (nitrogen content)	PC	Thousand tons	75	74	100	99	134	112	121
Superphosphates (phosphate content)	PCH	Thousand tons	88	97	116	110	131	80	96
Refined petroleum	R	Thousand tons	5,663	3,401	3,878	60	69	100	102
Textiles and clothing :									
Cotton yarn	PCHR	Thousand tons	185	144	192	78	104	99	94
Wool yarn	PCH	Thousand tons	74	59	72	80	97	94	100
Shoes	PCH	Million pairs	61	56	73	92	119	110	113

Sources. — The figures have been taken from national publications. For details, see Appendix B.

NOTE. — Owing to rounding, the index numbers do not coincide exactly with the percentage difference in the production figures above.

[a] P=Poland ; C=Czechoslovakia ; H=Hungary ; R=Rumania ; Y=Yugoslavia ; B=Bulgaria.

[b] Pre-war territory. Pre-war figures for Czechoslovakia refer to 1937.

[c] Provisional.

[d] Defined as the value of final output (including the cost of materials) free of duplication.

over the last two years were not quite so favourable; the plan was considerably underfulfilled in the case of building owing to the shortage of building materials. In Bulgaria, the production plans were only partially fulfilled in 1947 ; in 1948, however, the industrial plans were generally exceeded. In the case of Yugoslavia, the plan fulfilment in manufacturing industry in 1948 is given at 100 per cent, but no comparable figures are available on the actual movement of production from year to year.

Annual plan fulfilment figures in agriculture are less meaningful owing to the variation in weather conditions. The actual results appear, however, to be very near the plans, except in Czechoslovakia and Bulgaria.

In Table 94 planned and actual production are also shown for a number of industrial commodities and these confirm the impression gained from the plans for the different economic sectors of the various countries. The production of steel, as in Western Europe, exceeded the plans, while the production of bricks, in the few countries for which data are available, fell short of the plans. The production of cotton goods (based on imported raw materials) and of certain engineering products was also below the plans.

Export and import plans were published only for Poland, Hungary and Bulgaria and these are shown in Table 95. For 1947, the data indicate that both exports and imports fell seriously short of the plans, and that in Poland and Bulgaria imports were particularly low in relation to the plans. In 1948, however, Poland succeeded in over-fulfilling both the export and the import plans, which is the more remarkable since exports, in terms of current dollars, were over 100 per cent and imports over 60 per cent above the level of the previous year. In Hungary, imports appeared to fall seriously short of the target, while exports came near to it. In Bulgaria, on the other hand, the import plan appears to have been fulfilled to a much greater extent than the export plan.

Table 95

PLANNED AND ACTUAL FOREIGN TRADE OF EASTERN EUROPEAN COUNTRIES

In specified currencies

Country		Unit	1947			1948		
			Planned	Actual	*Actual as per cent of planned*	Planned	Actual	*Actual as per cent of planned*
Poland	Exports	Millions of current dollars	338	248	*73*	480	528	*110*
	Imports		729	319	*44*	500	509	*102*
	Balance		— 391	— 71		— 20	+ 19	
Hungary[a] . .	Exports	Thousand millions of forints	2.1	1.4	*67*	1.13	1.02	*91*
	Imports		2.1	1.9	*89*	1.13	0.82	*74*
	Balance		—	— 0.5		—	+ 0.20	
Bulgaria . . .	Exports	Thousand millions of leva	29.2	24.5	*84*	41.7	(27.6)[b]	*(66)*[b]
	Imports		36.0	21.4	*60*	34.2	(32.6)[b]	*(95)*[b]
	Balance		— 6.8	+ 3.1		+ 7.5	(— 5.0)	

Sources. — The figures have been taken from national publications. For details, see Appendix B.

[a] The figures for 1947 refer to the first Plan year, August 1947-July 1948. The figures for 1948 refer to the second Plan period, August to December 1948.

[b] Estimate ; for details, see Appendix B.

Table 96

FULFILMENT OF INVESTMENT PLANS IN EASTERN EUROPEAN COUNTRIES

Actual new investment in plan prices as a percentage of planned investment

Sector	Poland		Czechoslovakia		Hungary		Bulgaria		Rumania	Yugoslavia
	1947	1948 [a]	1947	1948 [a]	1947/48	1948 [a] [b] (5 months)	1947	1948	1948	1947
Total investment	110	..	77	..	108	.	..	..	..	..
Investment within the Plan	89	90	69	71	92	90	62	81	87	83
Agriculture	83	..	70	59	78	97	77	..	..	..
Manufacturing	93	..	55	44	74	82	48	..	..	..
Mining	96	..			91	90	26	..	..	..
Transportation	97	..	99	96	95	..	98	..	..	..
Dwellings	56	..	70	92	104	93	89	..	..	..
Public investments	107	..	66	75	116	110	44	..	..	..
Other	.	..	..	..	65	..	..	..	..	..

Sources. — The figures have been derived from national publications. For details, see Appendix B.

NOTES. — Both total investment and investments within the Plan are expressed as percentages of planned investment. Plan fulfilment by sectors is based on actual investment within the Plan.

[a] Provisional.

[b] Refers to August-December 1948.

In Table 96 estimates are given of the degree of fulfilment of the investment plans of the Eastern European countries in real terms. The figures must be interpreted with some caution because in most cases the official figures of actual investment are expressed in current prices and have had to be converted, by means of official price indices, into the prices in which the plans were originally expressed. In Table 96 fulfilment figures are given both for total investments and for planned investments, and it will be noted that the percentage fulfilment figures are higher for Poland, Czechoslovakia and Hungary for total investment than for planned investment, as a result of large investments outside the plan. Considering planned investment only, it seems that fulfilment was around 80 per cent, being rather less in Czechoslovakia and rather more in Hungary and Poland. Including investment outside the plan, however, both Hungary and Poland appear to have exceeded the plan in 1947. Plan fulfilment was generally highest in transport, where the figures were at or near 100 per cent, and lowest in the case of dwellings (except in Hungary, where the plan for the construction of dwellings was itself rather low). In the fulfilment of investment plans in manufacturing industries, actual investment was only equal to about half of the planned level in Czechoslovakia and Bulgaria; in the case of the former this was possibly due to excess capacity in industry, and in the case of the latter to the failure to import capital goods in sufficient quantity.

Plan Fulfilment in the Soviet Union

In the third year of the Fourth Five-year Plan the industrial production plan was over-fulfilled by 6 per cent. Since the plan was already over-fulfilled in the previous year, the targets for 1948 for a number of commodities were raised above those laid down in the original plan. If the same rate of increase in production is maintained for another year, it is probable that the aggregate production targets of the Five-year Plan—although perhaps not those for all the individual branches of industry or for all areas—will be fulfilled in four years. Figures of plan fulfilment are no longer available by commodities, but only by individual Ministries—i.e., according to an industrial classification. Table 97 shows that, compared with previous years, when certain Ministries showed appreciable under-fulfilment, all Ministries reached their targets in 1948. Appreciable over-fulfilment is shown for the chemical and electrical industries, the motor and tractor industry, the manufacture of building and road machinery, and the timber and paper industries. Relatively low fulfilment percentages are shown, on the other hand, for some of the consumers' goods industries and for coal mining.

For individual commodities, only general statements are available which indicate that in transport and engineering equipment, in various kinds of agricultural machinery and in chemicals, the plan was considerably over-

Table 97

PLAN FULFILMENT BY BRANCHES OF INDUSTRY IN THE UNION OF SOVIET SOCIALIST REPUBLICS

Actual production as per cent of planned production

Industry	1946	1947	1948
All Ministries	96	104	106
Ferrous metallurgy	100	101	111
Non-ferrous metallurgy	99	107	
Coal industry (Western region)	105	95	101
Coal industry (Eastern region)	97	100	
Oil industry (Southern and Western regions)	103	106	108
Oil industry (Eastern region)	105	107	
Electric power stations	100	101	103
Chemical industry	105	114	116 [a]
Electrical industry	106	108	115
Communications equipment industry	103	112	106
Heavy machinery construction	105	105	107
Automobile and tractor industry	92	98	115
Machine-tool construction	98	106	108
Machine and instrument construction	98	107	109
Building and road machinery construction	..	115	126
Transport machinery construction	81	94	113
Agricultural machinery construction	77	100	105
Building materials	105	101	112
Timber industry	98	96	111
Cellulose and paper industry	110	98	
Rubber industry	96	107	..
Textile industry	103	103	106
Light industry	100	106	
Fisheries industry (Western region)	101	104	100
Fisheries industry (Eastern region)	85	96	
Meat and dairy industries	110	107	100
Food industry	98	109	108
Grocery supplies	102	113	104
Local industries including local fuel industries of the Union Republics	102	111	105
Producers' co-operatives	..	..	101

Sources. — State Planning Commission and Central Statistical Administration of the Council of Ministers of the U.S.S.R.

[a] Including the rubber industry.

Table 98

OUTPUT OF THE MOST IMPORTANT INDUSTRIAL PRODUCTS OF THE UNION OF SOVIET SOCIALIST REPUBLICS

Percentages

Item	1946 as per cent of 1945	1947 as per cent of 1946	1948 as per cent of 1947
Iron and Steel :			
Pig-iron	112	114	122
Crude steel	109	109	128
Rolling-mill products	113	115	128
Non-ferrous Metals :			
Copper	106	109	120
Zinc	108	116	136
Lead	119	126	102
Fuel and Power :			
Coal	110	112	114
Oil	112	119	113
Electric power	110	115	116
Engineering :			
Main-line locomotives	3,000	277	153
Main-line wagons	2,900	..	145
Lorries	138	130	143
Motor-cars	126		210
Ball-bearings	..	134	128
Steam turbines	130	257	117
Electric motors of capacity less than 100 kW	169	152	159
Electric motors of capacity more than 100 kW	138	139	153
Machine tools	..	..	124
Special machine tools	134	130	142
Spinning machines	243	263	205
Tractors	172	209	204
Agricultural machinery	..	206	199

Item	1946 as per cent of 1945	1947 as per cent of 1946	1948 as per cent of 1947
Chemicals :			
Caustic soda	109	..	125
Soda ash	109	..	144
Artificial fertilizers	152	135	143
Timber :			
Timber, delivered road or railside	106	126	133
Paper	161	125	120
Building Materials :			
Cement	185	140	137
Slate	198	139	135
Bricks	..	..	156
Consumers' Goods :			
Cotton textiles	117	133	124
Woollen textiles	130	133	128
Leather footwear	128	140	123
Sugar	100	210	170
Soap	..	128	145

Sources. — State Planning Commission and Central Statistical Administration of the Council of Ministers of the U.S.S.R.

fulfilled. In the case of motor vehicles and certain types of textile and agricultural machinery, the plans were not completely fulfilled, although the degrees of plan fulfilment for the various commodities in each industry were much better balanced than in previous years. The actual increases in production in those items, shown in Table 98, were very considerable, and for a number of important commodities appreciably greater than the corresponding rates of increase in previous years. This is particularly true of iron and steel, the production of which increased by some 25 to 28 per cent in the year, and of non-ferrous metals and a number of engineering products. As in previous years, the percentage rates of growth of output were much higher for engineering products than for basic materials. The Government statement on plan fulfilment also emphasizes the improvements in industrial techniques; for example, the utilization of blast-furnaces increased by 13 per cent compared with pre-war standards, and coal cutting is now almost entirely mechanized.

The number of employees in the Soviet economy increased by 2 millions over the preceding year and has almost reached the manpower target laid down in the Five-year Plan. About 1 million skilled workers were trained during the year, which is only somewhat less than the number planned. In addition, there was a considerable intake of manpower into industrial occupations, mainly in the heavy industries, following upon the monetary reform, and as a result of demobilization from the army. In the field of transport, the volume of goods transported exceeded the planned levels. Inland water and road transport appear to have taken an increasing share in total transportation, in accordance with the plan.

The information available on capital formation does not make it possible to compare actual investment with planned investment. It was stated, however, that new investment increased by 10 per cent between 1946 and 1947, and 23 per cent between 1947 and 1948. The increase in the rate of investment over the two years was thus 35 per cent compared with the increase of 55 per cent in industrial production. The increases in the rate of investment were above the average in urban housing (where more than 60 per cent of the total urban housing programme of the Five-year Plan was completed by the end of 1948), and also in light industry, the food industries, in metallurgy and in coal mining. Altogether some 4,000 industrial plants were put into operation during the first three years of the Five-year Plan (out of 5,900 scheduled for the entire period) of which about 2,100 were completed in 1948.

3. The Long-term Plans of Western European Countries

In the summer of 1948, the Organization for European Economic Co-operation invited each of its member countries to submit a plan showing how it intended to maintain its economy without extraordinary outside assistance by 1952/53, when financial aid from the United States, furnished through the European Recovery Programme, comes to an end. In the previous year, these countries had drawn up plans for production and external trade for each of the four years of the programme. These plans[1] did not extend beyond the period of external financial aid and they did not, therefore, show how the twin objectives of the programme—the restoration of equilibrium in the external balance of payments and the return to pre-war standards of living—could be achieved and maintained when foreign aid ended. In the new long-term programmes the countries were specially asked to demonstrate how they intended to achieve a self-sustaining economy in 1952/53 by showing how their production targets would secure an even balance in their foreign transactions with the world as a whole, and as far as possible with the dollar area also.

The national programmes submitted to the O.E.E.C. have subsequently been reviewed and analysed by the Organization in its Interim Report.[2] In this report, it was indicated that, while in the separate plans submitted by the individual countries the objective of an overall equilibrium in the balance of payments is attained, the plans themselves are to a certain extent inconsistent with one another and are, when considered together, too optimistic in regard to the trading possibilities with the outside world. It was therefore concluded that, if it were attempted to carry out the existing plans without modification, there would still remain in 1952/53 a deficit in the combined foreign accounts of the whole area with the outside world amounting to some $3,000 million. Hence it was recommended that the programmes be modified, and in particular that further measures be taken to restore foreign payments by accelerating the expansion of exports, by increasing the extent to which home produce is substituted for imports, and by stimulating the production in non-dollar areas overseas of the commodities that Europe must import.

The existing programmes which are to be examined here are therefore provisional and are to be modified also in order to secure a higher degree of economic co-ordination between the individual members of the group. Nevertheless, an analysis of the existing programmes should give an indication of the pattern of change that will result from the current national plans of the Western European countries, and of the nature of the modifications that would have to be made to render them more consonant with their objectives.

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[1] Summarized in last year's SURVEY, pages 156-186.

[2] *Interim Report on the European Recovery Programme*, O.E.E.C. Paris, 30 December 1948.

The primary aim of the production plans in each of the programmes is the restoration of the balance of payments of the country concerned through the development of those branches of production which increase potential exports or provide substitutes for imports. To secure equilibrium under the changed conditions of the post-war situation—when in most countries imports will have to be financed by current exports to a far higher degree than before the war—it is necessary, of course, that both objectives be pursued simultaneously; the production plans must aim at reducing the need to import as well as increasing the ability to export. If, however, the aim of increased economic co-operation between the different Western European countries is not to be frustrated, it is essential that a sharp distinction be drawn between the objective of increased self-sufficiency for the area as a whole in relation to the outside world, and increased self-sufficiency for the individual countries in relation to one another. The programmes as they stand, having been drawn up independently on a national basis, tend to follow the process of substituting home production for imports without such a distinction between the different sources of imports. While the information contained in the various national programmes is not sufficiently comprehensive to form a complete view, the available information both on the production programmes and on the trade forecasts points to the conclusion that the realization of the existing production plans will tend to lessen, rather than to raise, the degree of mutual economic inter-dependence of the countries of the area.

Increased autarky, as was argued earlier, tends to be the by-product of long-term economic planning at the national level. In the particular case of the Western European countries, the danger is made greater by the fact that their imports from overseas consist chiefly of foodstuffs and essential raw materials which cannot be replaced to any marked extent by indigenous production, while their imports of manufactures, for which substitutes can be found through the development of home industries, are largely of European origin.

The Production Targets

The gross national product of the group of O.E.E.C. ~~countries as~~ a whole (as stated in the Interim Report) is planned to increase by the order of 20 per cent compared with 1938 or 35 per cent compared with 1947. The average rate of growth of some 6 per cent per annum is thus considerably less than the average increase in agricultural and industrial production over the last two years but considerably more than the annual rise in production in pre-war years. This figure, however, is unduly inflated by the inclusion of Western Germany, whose gross national product is expected to rise threefold over the period. Excluding Germany, the annual increase in production is considerably smaller—of the order of 3 to 4 per cent. The increase in production assumed in the plans cannot, therefore, be regarded as excessive, particularly since the actual increase from 1947 to 1948 was more than twice as large as the annual rate of increase expected in the next four years. The increases in production nevertheless appear sufficient to leave a larger volume of resources available for home use than before the war, despite the plans for increased exports in relation to imports.

The information contained in the national programmes of seven major O.E.E.C. countries on the general level of agricultural and industrial production planned for 1952/53, is summarized in Table 99. These seven countries account for well over two-thirds of the total production of the O.E.E.C. area. With the exception of the Bizone of Germany, which expects industrial production in 1952/53 to be 10 per cent above the pre-war level, all the countries aim to raise their industrial production to at least 30 per cent above pre-war. In France, where production in 1938 was abnormally low, it is to be raised to no less than 50 per cent above the level of that year. In

Table 99

ESTIMATES OF THE LEVEL OF AGRICULTURAL AND INDUSTRIAL PRODUCTION IN O.E.E.C. COUNTRIES

Index numbers based on 1938 and 1947

Country	*1938 = 100*				*1947 = 100*	
	1947		1952/58		1952/53	
	Agriculture	Industry	Agriculture	Industry	Agriculture	Industry
Denmark	76[a]	111	110[a]	138	142[a]	124
France	81	96	114	151	141	157
Germany: U.K./U.S. Zone	80[b c]	40[c]	100[c]	110[c]	125[d]	275
Italy	80	81	105	140	131	173
Netherlands	88[b]	101[b]	102	134	116[d]	133[d]
Norway	80	108	110	140	138	130
United Kingdom	123	114[e]	150	140[e]	122	123[e]

Sources. — The figures are derived from the long-term programmes published by the member countries of the O.E.E.C.

NOTES. — The figures for 1947 do not necessarily agree with those shown in other chapters owing to differences in the bases on which they were computed. In particular, the national agricultural indices shown here, which are based on domestic prices of agricultural produce in the countries concerned, differ from those in Table 14, which are based on standard dollar prices of agricultural produce.

[a] Animal products only.

[b] 1948.

[c] Base of the index numbers : 1936.

[d] Base of the index numbers : 1948.

[e] Manufacturing only.

agriculture, on the other hand, the targets of the different countries provide, in general, for lower rates of expansion in comparison with pre-war. The United Kingdom, where agricultural production is to be raised by 50 per cent over the pre-war level is, however, a notable exception, and there are also to be substantial increases in agricultural production in France and Turkey. In Western Germany, however, no expansion of agricultural production above the pre-war level is planned.

In comparison with 1947, the expansion of agricultural production appears to be much more striking, but, owing to the particularly bad weather in that year, the figures based on 1947 tend to give an exaggerated notion of the true rate of expansion planned for the next four years.

Agricultural Production

For the area as a whole, the plans for agriculture provide for higher rates of expansion of intensive crops, such as potatoes, sugar beet and vegetable oils, than for livestock products and extensive crops, such as grains. The rates of expansion for animal products and grains, which are shown in Table 100, range from 6 to 16 per cent above pre-war, while the output of oil seeds will rise to two and a half times the pre-war level and the output of potatoes to 30 per cent above pre-war.

In total, the agricultural programmes will not significantly reduce the need to import food into the area as a whole, since the total population of the O.E.E.C. countries in 1952/53 is expected to be 14 per cent higher than in 1938, and the increase in agricultural production will be of the same order as the increase in population. While in the United Kingdom the agricultural programme will reduce import requirements, and in France and Turkey the programmes will raise exportable surpluses, these changes will be counter-balanced by the higher import requirements of other countries whose agricultural programmes will not cover the increases in their needs.

Table 100

THE PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES IN O.E.E.C. COUNTRIES IN 1952/53 COMPARED WITH 1938

Index numbers — 1935-1938 average = 100

Country	Bread grain	Coarse grain	Potatoes	Sugar beet	Fats and oils	Milk	Meat
Benelux	77	102	144	130	104	..	103
Denmark	100	104	..	..	112	108	104
France	120	121	121	136	189	120	126
Germany : U.K./U.S. Zone	92	82	130	146	103	100	93
Italy	100	102	110	..	108	133	99
Norway	110	109	..	..	96	121	125
Turkey	152	111	..	215	187	123	150
United Kingdom	164	199	158	131	86	117	98
TOTAL O.E.E.C. countries (including others not specified) [a]	114	116	131	..	115	111	106

Sources. — *Interim Report on the European Recovery Programme,* O.E.E.C., Paris, 1948, and long-term programmes published by member countries of the O.E.E.C.

[a] Excluding Switzerland.

There is, moreover, a considerable variation in the nature of the individual countries' plans, as is shown in Table 100. The United Kingdom aims mainly at the substitution of home production for imports and thus concentrates largely on increasing the production of grains. The plans of the other countries (with the exception of France and Turkey) concentrate more on animal products and intensive crops with a view to increasing the standards of home consumption and the profitability of agriculture. France plans a substantial all-round development of agricultural production, in order to produce exportable surpluses both of grains and meat which will reduce the degree of dependence of the area as a whole on imports from overseas. In the Bizone of Germany, the production of grains will be considerably below pre-war and will lag behind the general increase in agricultural production. The dependence of Western Germany on imports of grain will therefore be greatly increased as a result of this fall in production and the extraordinarily large increase in the population of the area, which is, moreover, expected to continue in the next four years.

Industrial Production

The industrial expansion programmes of the various countries given in Table 101 (pages 182-183) show a much greater similarity of pattern. With the exception of Western Germany, for all countries for which figures are available the highest rates of expansion are found in the heavy industries. Outside Germany, the production of crude and finished steel, dyestuffs, aluminium, machine-tools and nitrogenous fertilizers all show planned rates of expansion of more than 50 per cent as against the 35 to 40 per cent expansion in industrial production as a whole. On the other hand, the available figures for textiles (cotton yarn and cotton piece-goods) show rates of expansion considerably below the average rate of increase of industrial production as a whole.

The total consumption of fuel and power is planned to rise to 29 per cent above pre-war. Of this, coal production will rise by only 11 per cent, whilst hydro-electric power generation will rise by 130 per cent and oil consumption by 110 per cent. The increased overseas expenditure resulting from the rise in oil consumption is to be offset, however, by the large increase in refining capacity which is a striking feature of the plans. The throughput of oil in refineries is to be raised in relation to pre-war by nearly 7 times for the Benelux countries, some 3 times for France, 6½ times for the United Kingdom, 13 times for Italy and no less than 30 times for Sweden.

The steel production of the area is planned to be some 40 per cent above pre-war, which is the result of a reduction of some 25 per cent in the production of the Bizone of Germany and a rise of some 70 per cent in the other countries. The expansion of production outside Germany is fairly evenly spread between the various countries ; Belgium, France, Italy, Norway, Sweden and the United Kingdom all plan to increase their steel production between 40 and 100 per cent. In the case of aluminium also, the production programmes of most countries show high rates of expansion of the order of 100 per cent or more above pre-war. Similarly in the chemical industries, very large expansions are planned. The production of both nitrogenous fertilizers and dyestuffs will be approximately doubled during the period of the programmes. The overall expansion of chemical production will be the result of increases which are to take place in all the main producing countries ; the largest percentage increases are planned by countries such as Benelux and Italy, whose production was comparatively small before the war.

In the case of the textile industries, the moderate increase planned for the cotton industry as a whole reflects the adaptation of the various countries' production to the changed outlook in the export markets of the world. The decline in the production of cotton products, however, is an inadequate measure of the changes in the textile industry as a whole. As can be seen from the following figures, artificial fibres and synthetic products will become increasingly important while the woollen industry will not decline in relative importance as much as the cotton industry :

The Percentage Increase from 1938 to 1952/53 in the Production of Selected Textile Products in the O.E.E.C. Countries

	%		%
Cotton yarn	9	Staple fibre	269
Cotton piece-goods	19	Continuous filament yarn	137
Woollen and worsted piece-goods	23	Synthetic fibre piece-goods	60
Wool yarns	21		

Comparing the plans of individual countries, it appears from the figures in Table 101 that, while the production of cotton goods will increase only slightly in the major producing countries, a considerable expansion is planned in Benelux and in the group of " Other O.E.E.C. countries ", which in this case chiefly refers to Switzerland.

The increase in the production of machinery and equipment is one of the most important elements of the national programmes. The output of engineering products as a whole is to rise by 47 per cent over pre-war in the O.E.E.C. countries including Western Germany. The increase in production will be of the order of 60 per cent or more in Benelux, France, Italy and the United Kingdom, while in the Bizone it is to rise to 4 per cent above the pre-war level. The production of machine-tools will be 39 per cent above pre-war ; in Germany, it will be 20 per cent below the pre-war level (which was abnormally high) while in the other countries it will be more than 60 per cent above pre-war. The highest rates of expansion are shown for Benelux and France (where output is to reach 410 per cent and 237 per cent of pre-war respectively), both of which are countries whose pre-war production was relatively small.

The extent to which plans are being made to reduce the dependence of Western Europe on imports of capital equipment from the United States is illustrated by the programmes for the production of crawler tractors. This type of tractor was not produced in Europe on a significant scale before the war. By 1952/53 the production of crawler tractors will, however, have been developed in no less than four of the O.E.E.C. countries, and the resulting

Tabl

THE PRODUCTION OF RAW MATERIALS AND INDUSTRIA

In physical units or million

Country	Year *	Hard coal (million tons)		Petroleum products (thousand tons)		Electric power (million kWh)		Crude steel (million tons)		Rolled-steel products (million tons)		Aluminium (thousand tons)	
		Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*
Benelux . . .	Pre-war	43.1	*100*	805	*100*	8.8	*100*	5.0	*100*	3.8	*100*	..	..
	1947	34.5	*80*	1,266	*157*	11.7	*133*	4.7	*94*	3.7	*97*	..	..
	1952/53	44.0	*102*	5,499	*683*	18.7	*213*	8.7	*174*	7.2	*189*	..	..
France	Pre-war	46.5	*100*	4,800	*100*	18.8	*100*	9.1	*100*	5.9	*100*	32.1	*100*
	1947	55.7	*120*	4,434	*92*	25.5	*136*	6.5	*71*	4.5	*76*	53.4	*166*
	1952/53	75.0	*161*	13,330	*278*	41.8	*222*	14.5	*159*	10.7	*181*	105.0	*327*
Germany : U.K./U.S. Zone	Pre-war	135.8 [a]	*100*	1,555	*100*	27.6 [b]	*100*	14.6	*100*	10.4	*100*	43.5	*100*
	1947	72.5 [a]	*53*	270	*17*	16.2 [b]	*59*	3.0	*21*	2.1	*20*	7.2	*17*
	1952/53	127.8	*94*	2,475	*159*	38.6	*140*	10.7	*73*	7.7	*74*	60.0	*138*
Italy	Pre-war	1.5	*100*	673	*100*	15.4	*100*	2.2	*100*	1.7	*100*	19.6	*100*
	1947	1.2	*80*	1,124	*167*	19.9	*129*	1.7	*77*	1.4	*82*	25.1	*128*
	1952/53	2.1	*140*	8,785	*1,305*	32.8	*213*	3.0	*136*	2.4	*141*	45.0	*230*
Sweden . . .	Pre-war	—	—	46	*100*	8.2	*100*	1.0	*100*	0.7	*100*	2.0	*100*
	1947	—	—	488	*1,061*	13.5	*165*	1.1	*110*	0.8	*114*	3.0	*150*
	1952/53	—	—	1,400	*3,043*	23.6	*288*	2.0	*200*	1.4	*200*	4.0	*200*
United Kingdom . .	Pre-war	230.6	*100*	2,550	*100*	24.4 [d]	*100*	11.4	*100*	8.4	*100*	18.4	*100*
	1947	200.6	*87*	3,084	*121*	42.6 [d]	*175*	12.7	*111*	10.5	*125*	29.3	*159*
	1952/53	257.0	*111*	16,777	*658*	55.0 [d]	*225*	17.0	*149*	13.1	*156*	36.0	*196*
Other O.E.E.C. countries . .	Pre-war	..	..	..	..	21.0	*100*	0.7	*100*	1.1	*100*	70.8	*100*
	1947	..	..	..	..	26.9	*128*	0.6	*86*	0.5	*45*	47.1	*67*
	1952/53	..	..	..	..	37.5	*179*	1.2	*171*	1.5	*136*	141.0	*199*
TOTAL : Including U.K./U.S. Zone of Germany .	Pre-war	457.5	*100*	10,429	*100*	124.2	*100*	44.0	*100*	31.9	*100*	186.4	*100*
	1947	364.5	*80*	10,666	*102*	156.3	*126*	30.2	*69*	23.4	*73*	165.1	*89*
	1952/53	505.9	*111*	48,266	*463*	248.0	*200*	57.1	*130*	44.0	*138*	391.0	*210*
Excluding U.K./U.S. Zone of Germany .	Pre-war	321.7	*100*	8,874	*100*	96.6	*100*	29.4	*100*	21.5	*100*	142.9	*100*
	1947	292.0	*91*	10,396	*117*	140.1	*145*	27.3	*93*	21.3	*99*	157.9	*110*
	1952/53	378.1	*118*	45,791	*516*	209.4	*217*	46.4	*158*	36.3	*169*	331.0	*232*

Sources. — The figures are derived from the long-term programmes of individual member countries of the O.E.E.C. and the reports of the Technical Committees of the O.E.E.C., supplemented by figures of the Electric Power Division and the Coal Division of the Economic Commission for Europe and national statistics.

NOTES. — Other O.E.E.C. countries comprise Austria, Denmark, Norway, Switzerland and the French Zone of Germany, with the following exceptions : the French Zone of Germany is excluded from the figures for electric power, crude steel, equipment goods, nitrogenous fertilizers, cotton yarn and cotton piece-goods. Austria and Norway are excluded from the figures for equipment goods and dyestuffs, and Switzerland from the figures for equipment goods.

MMODITIES IN THE O.E.E.C. COUNTRIES

lollars and percentages

Machinery d equipment millions of $ 1948 prices)		Machine tools (millions of $ in 1948 prices)		Nitrogenous fertilizers (thousand tons, nitrogen content)		Dyestuffs (thousand tons)		Cotton yarns (thousand tons)		Cotton piece-goods (thousand tons)		Year*	Country
Jnit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*	Unit	*Per cent*		
674	*100*	10	*100*	172	*100*	2.2	*100*	114	*100*	117	*100*	Pre-war	Benelux
692	*103*	28	*280*	218	*127*	1.9	*86*					1947	
,202	*178*	41	*410*	435	*253*	6.9	*314*	156	*137*	167	*143*	1952/53	
,710	*100*	38	*100*	196	*100*	11.5	*100*	250	*100*	160	*100*	Pre-war	France
..	..	56	*147*	148	*76*	16.0	*139*					1947	
,800	*164*	90	*237*	350	*179*	27.9	*243*	254	*102*	188	*118*	1952/53	
.360	*100*	121 [c]	*100*	344 [a]	*100*	48.0	*100*	234	*100*	145	*100*	Pre-war	Germany : U.K./U.S. Zone
..	..	9	*7*	221 [a]	*64*	4.3	*9*					1947	
,463	*104*	96	*79*	506 [a]	*147*	33.0	*69*	240	*103*	150	*103*	1952/53	
870	*100*	67	*100*	109	*100*	12.5	*100*	178	*100*	95	*100*	Pre-war	Italy
690	*79*	58	*87*	77	*71*	8.5	*68*					1947	
,390	*160*	120	*179*	220	*202*	22.0	*176*	210	*118*	122	*128*	1952/53	
..	..	15	*100*	8	*100*	—	—	..	..	..	..	Pre-war	Sweden
..	..	22	*147*	19	*238*	—	—					1947	
..	..	24	*160*	21	*263*	—	—	..	..	..	..	1952/53	
,825	*100*	120	*100*	123	*100*	28.5	*100*	476	*100*	316	*100*	Pre-war	United Kingdom
,480	*123*	115	*96*	254	*207*	33.9	*119*					1947	
,600	*163*	160	*133*	305	*248*	60.0	*211*	485	*102*	350	*111*	1952/53	
165	*100*	53	*100*	102	*100*	20.2	*100*	65	*100*	38	*100*	Pre-war	Other O.E.E.C. countries
175	*106*	33	*62*	137	*134*	17.1	*85*					1947	
225	*136*	58	*109*	276	*271*	25.2	*125*	78	*120*	55	*145*	1952/53	
,604	*100*	424	*100*	1,054	*100*	122.9	*100*	1,317	*100*	871	*100*	Pre-war	TOTAL : Including U.K./U.S. Zone of Germany
..	..	321	*76*	1,074	*102*	81.7	*66*					1947	
,685	*147*	589	*139*	2,113	*200*	175.0	*142*	1,423	*108*	1,032	*118*	1952/53	
,244	*100*	303	*100*	710	*100*	74.9	*100*	1,083	*100*	726	*100*	Pre-war	Excluding U.K./U.S. Zone of Germany
..	..	312	*103*	853	*120*	77.4	*103*					1947	
,217	*164*	493	*163*	1,607	*226*	142.0	*190*	1,183	*109*	882	*121*	1952/53	

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* The pre-war base is 1935-1938, except for hard coal (1938), electric power (1938), machine tools (1938), dyestuffs (1937), l cotton piece-goods (1938).

[a] Including the French Zone.

[b] Grid production only.

[c] 1936.

[d] Authorized undertakings only. Excluding Northern Ireland.

output will be sufficient to permit imports from dollar sources to be reduced to a very low level.

The Production Pattern

The examination of the production programmes reveals certain clear trends. First, there is a definite concentration on the development of the heavy industries. Secondly, it appears that the trend of industrial development is towards a greater dispersion of industries in Europe and a greater diversification of the industrial structure of individual countries than was the case before the war. This dispersion is, in part, the corollary of the changed position of Germany, which will not regain the predominant position in the steel, engineering and chemical industries which it held before the war. But in part it reflects a more general desire of countries to develop those branches of manufacturing production in which they were relatively weak in the past. Thus, in the case of such widely divergent commodities as dyestuffs, steel, machine-tools and cotton goods, it is the countries whose pre-war production was the smallest and that tended to be most dependent on imports which plan the greatest expansions of output for the future. The similarity of the expansion programmes of the different countries is in itself a reflection of the desire to cover increased needs as far as possible by home production. The expansion of textile production in countries like Benelux and Switzerland, the development of watchmaking industries in Sweden and other countries, and the introduction of the manufacture of crawler tractors (which were not previously manufactured on a significant scale in Europe) in four countries simultaneously, are further examples of this tendency to diversification in the national economies which may involve the sacrifice of the inherent advantages which intra-European specialization in industrial development could provide.

Since statistical information on future production is available for only a limited number of commodities, it is difficult to judge how far this tendency to the dispersion of production is likely to be carried. However, an analysis of the programmes for trade between the O.E.E.C. countries and a comparison of the trade plans with the production programmes lend further support to the view that the scale of international specialization in the industrial field will be less at the end of the period of the current programmes than it was before the war.

The Trade Plans

The trade programmes of the O.E.E.C. countries as a group are summarized in Table 102, which shows their planned imports and exports in trade with the outside world, in trade with the dependent overseas territories and in trade with other O.E.E.C. countries. In trade with the outside world, imports at the end of the programmes are planned to be about the same as before the war, while exports are planned to be about one-third above pre-war. In trade with the dependent overseas territories the volume of imports is expected to be 38 per cent above pre-war as a result of investments which are now being undertaken and which should secure increased supplies of fats, oils, non-ferrous metals and other scarce primary products. (The increase in supplies from these territories, although proportionally large, will, however, be equal in value only to 2 per cent of total imports.) The volume of trade between the O.E.E.C. countries themselves is expected to rise by some 50 per cent between 1947 and 1952/53, and thus to regain its pre-war level. Thus imports originating from O.E.E.C. countries will represent a higher proportion of total imports in 1952/53 than in 1947. It is to be noted, however, that both imports from the outside world and imports from other O.E.E.C. countries will stand in the same relation to 1938 at the end of the programmes so that, in relation to pre-war, there appears to be no general substitution of intra-O.E.E.C. trade for overseas trade.

In trade with the outside world, the change in the relation between total exports and total

Table 102

THE TRADE OF THE O.E.E.C. COUNTRIES IN CONSTANT PRICES

Thousand millions of dollars in 1948/49 prices

Item	1938	1947	1948/49	1952/53	Change from 1947 to 1952/53
Imports from the outside world	13.0	12.5	12.4	12.9	+ 0.4
Index	*100*	*96*	*95*	*99*	
Imports of the United Kingdom, France, Benelux and Portugal from their own dependent overseas territories	1.6	1.7	2.0	2.2	+ 0.5
Index	*100*	*108*	*125*	*138*	
Imports of O.E.E.C. countries from other O.E.E.C. countries and their dependent overseas territories	9.5	6.2	7.8	9.6	+ 3.4
Index	*100*	*65*	*82*	*101*	
TOTAL IMPORTS	24.1	20.4	22.2	24.7	+ 4.3
Index	*100*	*85*	*92*	*102*	
Exports to the outside world	8.0	5.4	6.2	10.6	+ 5.2
Index	*100*	*68*	*78*	*133*	
Exports of the United Kingdom, France, Benelux and Portugal to their own dependent overseas territories	1.2	1.3	2.0	2.4	+ 1.1
Index	*100*	*105*	*165*	*194*	
Exports of O.E.E.C. countries to other O.E.E.C. countries and their dependent overseas territories	9.3	6.2	7.7	9.9	+ 3.7
Index	*100*	*67*	*83*	*107*	
TOTAL EXPORTS	18.5	12.9	15.9	22.9	+ 10.0
Index	*100*	*70*	*86*	*124*	

Sources. — *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948, and the long-term programmes published by the individual member countries of the O.E.E.C. The figures for 1947 and certain of the figures for 1938 were computed from national trade statistics.

NOTES. — Trade with the dependent overseas territories is included under two headings. The first shows the trade of the countries possessing dependent overseas territories with their own dependencies, while under the second heading the exports and imports of all the O.E.E.C. countries to and from dependent territories other than their own dependencies are included with trade between the metropolitan territories of the O.E.E.C. countries. Owing to rounding, the indices do not coincide exactly with the percentage difference in the value figures above.

imports conceals considerable divergences in the trade plans of the individual countries. As Table 103 shows, the relatively low level of imports in relation to exports is almost entirely due to the import programme of the United Kingdom, which alone accounts for some 40 per cent of the total imports of the group, and which intends to restrict imports from the outside world in 1952/53 to less than 80 per cent while raising exports to 146 per cent of the pre-war level. If the United Kingdom is excluded, the imports of other O.E.E.C. countries stand at 21 per cent and exports at 26 per cent above the pre-war level, so that the contemplated changes in the relationship of exports to imports are not so significant. If both the United Kingdom and Western Germany are excluded, the remaining O.E.E.C. countries intend to raise both exports and imports to 123 per cent of pre-war.

Table 103

THE VOLUME OF TRADE OF O.E.E.C. COUNTRIES WITH THE OUTSIDE WORLD

Index numbers and value in millions of dollars

Country	Imports				Exports			
	Index numbers *(1938 = 100)*			Value in millions of dollars[a]	Index numbers *(1938 = 100)*			Value in millions of dollars[a]
	1947	1948/49	1952/53	1952/53	1947	1948/49	1952/53	1952/53
	Actual	Programme			Actual	Programme		
Benelux	103	103	107	1,639	56	74	122	1,266
France	139	117	107	1,099	65	73	145	788
Germany : Western zones[b]	43	68	114	1,889	3	8	128	1,707
Italy	156	138	137	1,025	54	72	134	759
Sweden	..	..	..	..	85	83	113	510
United Kingdom	81	82	78	5,138	101	116	146	4,600
Total O.E.E.C. countries[c] (including others not specified)	96	95	99	12,843	68	78	133	10,577
Total O.E.E.C. countries[c] (excluding the United Kingdom)	111	108	121	7,705	46	53	126	5,977
Total O.E.E.C. countries[c] (excluding the United Kingdom and Western Germany)	135	123	123	5,816	63	70	123	4,270

Source. — *Interim Report on the European Recovery Programme,* O.E.E.C., Paris, 1948.

Notes. — Trade with the dependent overseas territories of member countries is excluded. The figures thus show the exports and imports of member countries of the O.E.E.C., excluding Switzerland, to and from the rest of the world, excluding the dependent overseas territories of the member countries.

[a] In 1948/49 prices.

[b] In computing this table it was assumed by the O.E.E.C. that 30 per cent of the other member countries' imports from Germany in 1938 came from Eastern Germany, and that 35 per cent of their 1938 exports to Germany went to Eastern Germany. It was also assumed that 65 per cent of Germany's 1938 imports went to Western Germany and that 70 per cent of Germany's 1938 exports came from Western Germany. No allowance was made for inter-zonal trade.

[c] Excluding Switzerland.

In intra-O.E.E.C. trade, which is summarized in Table 104, Italy and Western Germany plan the largest increases of both imports and exports from 1947 to 1952/53. But while in the case of Western Germany both exports and imports will remain appreciably below the pre-war level, Italy plans to raise exports to more than 50 per cent and imports to 26 per cent above pre-war. The United Kingdom plans to restrict her imports to less than 80 per cent of pre-war in 1952/53, but her exports to other participating countries are planned to be appreciably above pre-war, although they will be some 10 per cent lower at the end of the programmes than at the beginning. The relatively low volume of total trade in 1952/53 is primarily the result of the low levels of trade planned by the United Kingdom and Germany. If these two countries are excluded, the remaining countries plan to import and export some 15 per cent more than before the war in trade with other O.E.E.C. countries.

The low levels of imports of these two countries account also for a large part of the discrepancy between the import forecasts and the export forecasts. As Table 104 shows, the total exports of O.E.E.C. countries to one another are planned to be some

Table 104

THE VOLUME OF TRADE AMONG O.E.E.C. COUNTRIES AND THEIR DEPENDENT OVERSEAS TERRITORIES [a]

Index numbers and value in millions of dollars

Country	Imports [a]				Exports [a]			
	Index Numbers (1938 = 100)			Value in millions of dollars	Index Numbers (1938 = 100)			Value in millions of dollars
	1947	1948/49	1952/53	1952/53	1947	1948/49	1952/53	1952/53
	Actual	Programme			Actual	Programme		
Benelux	85	100	102	1,755	69	86	100	2,058
France	72	86	110	1,026	74	82	118	1,195
Germany : Western zones [b]	19	47	81	1,207	24	40	78	1,355
Italy	54	63	126	749	95	94	156	730
Sweden	107	113	129	717	66	75	76	617
United Kingdom	53	71	78	1,943	98	121	110	1,767
Total O.E.E.C. countries [c] (including others not specified)	65	82	101	9,711	67	83	107	9,909
Total O.E.E.C. countries [c] (excluding the United Kingdom)	69	85	111	7,768	61	75	107	8,142
Total O.E.E.C. countries [c] (excluding the United Kingdom and Western Germany)	83	95	119	6,561	72	86	116	6,897

Sources. — The figures for 1948/49 and 1952/53 were derived from the *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948, and the long-term programmes published by member countries of the O.E.E.C. The figures for 1938 and 1947 were computed from national trade statistics.

[a] The exports and imports of those O.E.E.C. countries which possess dependent overseas territories to and from their own dependencies are excluded. The figures show the trade between the metropolitan territories of the O.E.E.C. countries plus the trade of the O.E.E.C. countries with dependent overseas territories other than their own.

[b] In computing this table, it was assumed that 70 per cent of the other member countries' trade with Germany in 1938 consisted of trade with Western Germany. Similarly it was assumed that 70 per cent of Germany's exports and imports to and from the other O.E.E.C. countries in 1938 represented the trade of Western Germany. No allowance has been made for inter-zonal trade.

[c] Excluding Switzerland.

7 per cent above pre-war, while the total imports are to be approximately at the pre-war level.[1]

The main causes of the difference appear to be : the unexpectedly large export surplus of agricultural produce planned by France, for which the plans of the other countries made no allowance ; the desire of the Bizone of Germany and of other countries to sell machinery and equipment in excess of the amounts which the importing countries plan to buy ; and, finally, the general desire of the O.E.E.C. countries to sell textile products to one another while refusing to buy them.

In Table 105 the export and import targets of a number of O.E.E.C. countries are compared with their targets of industrial and agricultural production. The table shows that, in spite of the large increase planned in overseas exports, the export targets to the outside world will not imply any significant increase compared with pre-war in the proportion of home production destined for overseas exports, although there is a notable rise in the relation of exports to production between 1947 and 1952/53. In the case of imports from the outside world, a very large reduction is planned in the relation between imports and production between 1947 and 1952/53, and in the latter year this relationship will be reduced to three-quarters of its pre-war level. A comparison of the movements of the ratios of imports and exports to home production over the programme period in relation to pre-war suggests that, on the production side, far greater emphasis is being placed on import saving and the development of industries providing substitutes for overseas imports than on the expansion of industries providing exports.

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[1] It must be borne in mind that the two sets of estimates are not entirely comparable with each other, since imports into Switzerland are excluded and imports originating from Switzerland are included on the import side, while exports from Switzerland are excluded and exports destined for Switzerland are included on the export side. The same is true of the trade between member countries and dependent overseas territories other than their own (the trade of member countries with their own dependent overseas territories is excluded altogether). In addition, on the import side, mineral oil is included, while on the export side, the oil exports of the United Kingdom are excluded, since they are treated as an invisible item in the balance of payments. On account of this last factor, the discrepancies between the import and export targets are larger than is apparent from the figures.

Table 105 shows also that the volume of trade between the O.E.E.C. countries themselves will also lag considerably behind the increase in the volume of production so that the member countries will exchange a lower proportion of production in trade between themselves than was the case before the war.

Table 105

CHANGES IN THE LEVEL OF TRADE IN RELATION TO PRODUCTION IN O.E.E.C. COUNTRIES

Index numbers — 1938 = 100

Item	Benelux		France		Germany : Western zones		Italy		Sweden[a]		United Kingdom		TOTAL[b]	
	1947	1952/53	1947	1952/53	1947	1952/53	1947	1952/53	1947	1952/53	1947	1952/53	1947	1952/53
	Indices of production and trade													
Industrial and agricultural production	95	125	90	140	43	108	81	127	121	134	109	141	85	129
Trade with the outside world :[c]														
Imports	103	107	139	107	43	114	156	137	157	115	81	78	96	99
Exports	56	122	65	145	3	128	54	134	85	113	101	146	68	133
Trade with member countries :[d]														
Imports	85	102	72	110	19	81	54	126	107	129	53	78	65	101
Exports	69	100	74	118	24	78	95	156	66	76	98	110	67	107
	Ratio of trade indices to production indices													
Trade with the outside world[c] in relation to production :														
Imports	108	86	154	76	100	106	193	108	130	86	74	55	113	77
Exports	59	98	72	104	7	119	67	106	70	84	93	104	80	103
Trade with member countries[d] in relation to production :														
Imports	89	82	80	79	44	75	67	99	88	96	49	55	76	78
Exports	73	80	82	84	56	72	117	123	55	57	90	78	79	83

Sources. — The figures are derived from Tables 99, 103 and 104 in this chapter and from the long-term programmes of member countries of the O.E.E.C. The indices of industrial and agricultural production given in Table 99 have been combined by applying the estimated values of industrial and agricultural production shown in Table 16.

[a] Estimates based on the assumption that industrial and agricultural production move parallel with national income.

[b] Including other member countries not specified.

[c] Excluding trade with the dependent overseas territories.

[d] Including trade with the dependent overseas territories. The exports and imports of those O.E.E.C. countries which possess dependent overseas territories to and from their own dependencies are, however, excluded.

Table 106

PLANNED IMPORTS OF O.E.E.C. COUNTRIES FROM EACH OTHER, BY COMMODITIES

Millions of dollars in 1948/49 f.o.b. prices

Commodity group	1948/49	1952/53
1. Agricultural produce for animal and human consumption . .	1,614	2,033
2. Mineral solid fuel	554	920
3. Crude oil and petroleum products	379	528
4. Metals and ores, raw and semi-finished	949	1,147
5. Textile materials and products (excluding clothing)	917	810
6. Machinery, equipment and apparatus	1,122	1,103
7. Timber	298	336
8. Fertilizers	167	174
9. Other commodities	1,760	2,661
TOTAL . . .	7,760	9,712

Source. — *Interim Report on the European Recovery Programme* and *Report to the Economic Co-operation Administration on the First Annual Programme*, O.E.E.C., Paris, 1948.

NOTE. — The figures show the planned imports of all the O.E.E.C. countries, excluding Switzerland and the dependent overseas territories, from all the O.E.E.C. countries, including Switzerland and the dependent overseas territories, but excluding the imports which Benelux, France, Portugal and the United Kingdom—the countries possessing dependent overseas territories—expect to obtain from their own dependencies.

This decline in intra-O.E.E.C. trade in relation to production is also reflected in the commodity composition of the trade between the O.E.E.C. countries shown in Table 106, where imports planned for 1948/49 and 1952/53 are given by commodity groups. It appears that the increase in the volume of trade between these two periods is limited to agricultural products and raw materials (like solid fuels, oil and petroleum, metals and ores) and to the group of non-specified commodities. In machinery and equipment, and in fertilizers, the volume of trade remains about the same; in textiles it shows an actual decline. The fact that the volume of trade within the O.E.E.C. area in machinery, equipment and fertilizers remains constant over the period, while the aggregate production of these goods, as was shown in Table 101, is planned to rise very substantially (by nearly 50 per cent in the case of equipment goods, and over 100 per cent in the case of nitrogenous fertilizers), is a clear indication that the production plans of the various countries aim at a reduced dependence on intra-European trade. In the case of machinery and equipment, this is all the more significant since the level of imports from the United States is planned to be reduced very considerably over the period. In the case of textiles (including both raw materials and textile products) the total volume of trade between the participating countries is expected to decline from $1,462 million in 1938 to $1,143 million in 1952/53 (in 1947 prices) or by 22 per cent.[1] At the

Table 107

CHANGES IN THE RELATIONSHIP OF IMPORTS TO HOME SUPPLY OF SELECTED COMMODITIES IN THE O.E.E.C. COUNTRIES

Imports as a percentage of total home supply

Commodity	1938	1947	1952/53
Crude steel [a]	0.07	0.6	—
Rolled steel products [b] . .	11.7	17.3	7.9
Petroleum products [c] . . .	71.7	69.0	29.8
Paper and cardboard . . .	12.8	. .	10.3
Machine tools in relation to :			
total imports from all sources	25.2	39.3	23.5
imports from participating countries	9.3	18.2	11.4
Cotton yarn	3.4	2.6	2.2
Staple fibre	7.3	1.8	0.5
Continuous filament yarn . .	10.8	4.3	2.6
Rayon yarn	10.9	4.3	2.6
Wool yarn.	3.7	3.7	2.6
Cotton piece-goods	5.0	8.4	5.5
Woollen piece-goods	4.6	3.8	2.9
Synthetic fibres piece-goods	6.0	9.2	2.9

Sources. — Reports of the Technical Committees of the O.E.E.C.

NOTE. — The figures show the weighted average of the ratios of imports from all sources to home supplies for all the O.E.E.C. countries—except where it is noted that countries have been excluded for lack of information. " Home supply " is defined as production minus net exports or plus net imports.

[a] Excluding Denmark, Iceland, Ireland and Switzerland.

[b] Excluding Benelux, Denmark, Switzerland, the French Zone and the U.K./U.S. Zone of Germany.

[c] Excluding crude petroleum.

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[1] The figures refer to a wider category than those shown in item 5 in Table 106.

same time, production and consumption are planned to be at least 10 per cent higher, so that the relationship of intra-O.E.E.C. trade to consumption may be no more than two-thirds of pre-war.

Further evidence of the diversification of industries and the consequent reduced scope for intra-European trade in manufactures can be found in the reports of the Technical Committees of O.E.E.C. which contain more detailed estimates relating to the production, imports and exports of particular products. In Table 107 the changes in the relation of imports to home supply between 1938, 1947 and 1952/53 are shown for a number of products. The percentage relation between total imports and home supplies (defined as production plus net imports or minus net exports) is perhaps the best measure of the degree of self-sufficiency of the national economies in particular commodities.

Most items show appreciably lower ratios of imports to home supplies for 1952/53 than for either 1938 or 1947. For a number of items the decline is even more marked in relation to 1947 than to 1938. It must be borne in mind that the figures generally relate to imports from all sources and a decline may therefore reflect a fall in imports from overseas rather than from European sources. In the case of machine-tools, separate figures are available both for total imports and for imports from other member countries, and these show that the decline in the ratio of imports to consumption over the programme period will be equally great in both cases. In relation to pre-war, however, there is a moderate increase in the proportion of imports from European sources.

Table 108

THE BALANCE OF PAYMENTS OF THE O.E.E.C. COUNTRIES WITH THE OUTSIDE WORLD

Thousand millions of dollars in current prices

Item	Actual		Programme[a]
	1938	1947	1952/53
Imports, f.o.b.	5.5	11.4	12.8
Exports, f.o.b.	3.5	5.0	10.6
Balance on trade account	— 2.0	— 6.4	— 2.2
Balance on invisible account	+ 2.0	— 0.75	+ 1.4[b]
Balance on current account	—	— 7.15	— 0.8

Source. — *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948.

NOTE. — The figures show the transactions of the European countries which are members of the O.E.E.C., excluding Switzerland, with the rest of the world, excluding the dependent overseas territories of the O.E.E.C. countries.

[a] In 1948/49 prices.

[b] Including the estimated net balances of the Benelux, French and Portuguese dependent overseas territories, amounting to $250 million in transactions with the dollar area.

The Balance of Payments with the Outside World

Table 108 shows the estimated balance of payments of the O.E.E.C. countries for 1952/53 compared with 1938 and 1947.[1] On the basis of the national programmes, the overall deficit in the balance of payments would be reduced to some $800 million in 1952/53, which in turn is the result of a deficit of $1,300 million with North America, a small deficit with other areas, and a surplus of some $650 million with the non-participating Sterling Area.[2]

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[1] The figures in Table 108 are based on O.E.E.C. estimates, and those for 1947 do not agree with the estimates presented in Table 73, Chapter 6 above. The differences arise in the constituent items rather than in the total balance on current account, and are partly due to differences in definition. In Table 73, Chapter 6, both merchandise and invisible transactions with the dependent overseas territories are included, whereas the O.E.E.C. estimates exclude them. More important is the difference in the current balance on invisible account. On the basis of the estimates of the International Monetary Fund for Europe as a whole, given in Table 71, Chapter 6, the net balance of O.E.E.C. countries on invisible account in 1947 would appear to have been zero, as is shown in Table 73. The Interim Report of the O.E.E.C., on the other hand, estimates it around minus $750 million for 1947. Some of this difference may be accounted for by the difference in definition in that the estimate of the International Monetary Fund includes the receipts from the sale of surplus property (chiefly of the United Kingdom) under current transactions, and this may have been excluded from the O.E.E.C. estimate.

[2] The overall balances of payments of the individual countries when added together, show a small surplus. The net deficit of $800 million shown for the group as a whole is a reflection of the mutual inconsistency of the balances of payments of the individual countries. It arises from the fact that the O.E.E.C. countries expect to earn surpluses from one another which do not cancel out when added together (as they should if the programmes were mutually consistent) but show a net surplus of slightly over $800 million.

Table 109

THE VOLUME OF O.E.E.C. COUNTRIES' IMPORTS FROM THE OUTSIDE WORLD BY AREAS OF ORIGIN

Thousand millions of dollars in 1948/49 f.o.b. prices

Area	Actual		Programme		Change from 1947 to 1952/53
	1938	1947	1948/49	1952/53	
North and Central America	4.1	7.3	5.7	3.8	−3.5
South America	1.7	1.7	1.7	2.1	+0.4
Non-participating Sterling Area	2.9	2.0	2.9	3.3	+1.3
Eastern Europe, including the U.S.S.R.	3.0	0.9	2.1	2.2	+1.3
Other non-participating countries	1.3	0.6		1.4	+0.8
Total non-participating countries	13.0	12.5	12.4	12.8	+0.3

Area	Per cent of 1938				1952/53 as per cent of 1947
North and Central America	100	179	139	93	52
South America	100	97	97	122	122
Non-participating Sterling Area	100	69	99	116	165
Eastern Europe, including the U.S.S.R.	100	30	49	73	244
Other non-participating countries	100	46		108	234
Total non-participating countries	100	96	95	99	102

Source. — *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948.

Notes. — O.E.E.C. countries include all the countries which are members of the O.E.E.C., except Switzerland, and exclude all their dependent overseas territories. The figures exclude trade between O.E.E.C. countries and between them and their own or one another's dependent overseas territories. In order to allow for the change in Germany's frontiers, in computing this table the O.E.E.C. assumed that 30 per cent of the 1938 imports of the other member countries from Germany came from Eastern Germany, and that 65 per cent of Germany's total imports went to Western Germany in 1938. No allowance has been made for inter-zonal trade. The figures are on a general trade basis and include imports for re-export. Owing to rounding, the percentages shown do not coincide exactly with the percentage differences in the value figures above.

The reduction in the adverse balance is achieved by an increase of almost 100 per cent in the volume of overall exports to the outside world over the whole period of the programme and a rise in invisible income to $1,400 million in 1952/53.[1] The volume of imports from the outside world, on the other hand, is assumed to rise by less than 3 per cent, some $300 million in constant prices.

Tables 109 and 110 show the changes that are to take place in the distribution of the O.E.E.C. countries' actual and planned imports and exports in trade with different areas. They indicate that, while the total level of imports increases only very moderately, the distribution of imports by sources shows far-reaching changes and is expected to be very much nearer to the pre-war distribution in 1952/53 than in 1947. While imports from North and Central America are to be cut by about half compared with 1947, imports from South America are to increase by a quarter, imports from the non-participating

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[1] Of the latter, some $1,200 million represent the net invisible income of the O.E.E.C. countries and some $250 million the estimated favourable balances of the dependent overseas territories of France, Benelux and Portugal.

Table 110

THE VOLUME OF O.E.E.C. COUNTRIES' EXPORTS TO THE OUTSIDE WORLD BY AREAS OF DESTINATION

Thousand millions of dollars in 1948/49 f.o.b. prices

Area	Actual		Programme			Change from 1947 to 1952/53
	1938	1947	1948/49	1949/50	1952/53	
North and Central America . . .	1.45	1.05	1.25	1.45	2.1	+ 1.05
South America	1.0	0.75	0.95	1.2	2.0	+ 1.25
Non-participating Sterling Area. .	1.9	2.0	2.3	2.6	3.1	+ 1.1
Eastern Europe, including the U.S.S.R.	2.5	0.75	1.7	2.1	2.0	+ 1.25
Other non-participating countries	1.1	0.85			1.4	+ 0.55
Total non-participating countries	7.95	5.4	6.2	7.3	10.6	+ 5.2

Area	Per cent of 1938					1952/53 as per cent of 1947
North and Central America . . .	100	72	86	100	146	200
South America	100	73	91	117	192	267
Non-participating Sterling Area. .	100	104	121	136	165	155
Eastern Europe, including the U.S.S.R.	100	30	48	58	80	267
Other non-participating countries	100	77			127	165
Total non-participating countries	100	68	78	92	133	196

Source. — *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948.

NOTES. — O.E.E.C. countries include all the countries which are members of the O.E.E.C., except Switzerland, and exclude all their dependent overseas territories. The figures exclude trade between O.E.E.C. countries and between them and their own or each other's dependent overseas territories. In order to allow for the change in Germany's frontiers in computing this table, the O.E.E.C. assumed that 35 per cent of the 1938 exports of participating countries to Germany went to Eastern Germany, and that 70 per cent of Germany's exports to Eastern Europe came from Western Germany in 1938. No allowance has been made for inter-zonal trade. The figures are on a general trade basis and include re-exports. Owing to rounding, the percentages shown do not coincide exactly with the percentage differences in the value figures above.

Sterling Area are to increase by two-thirds, while imports from Eastern Europe and other non-participating countries are to increase almost one and a half times. Similarly, there are differences in the rate of expansion of exports to different areas though the variations are smaller than in the case of imports. Exports to North America are assumed to be doubled from 1947 to 1952/53, to South America and Eastern Europe to be nearly trebled, and to the other two areas to be increased by two-thirds. A comparison of the export programmes with the import programmes suggests that, while the O.E.E.C. countries in drawing up their import plans were guided by the consideration of achieving the maximum diversion of imports from the dollar area, in drawing up their export plans they assumed that exports could be raised sufficiently to achieve an approximate balance with all areas except the dollar area. This is shown by the following summary figures indicating net balances in 1947 and 1952/53 with the various areas :

Trade and Invisible Balances with Various Areas in 1952/53

(In thousand millions of dollars in 1948/49 prices)

	Trade Balances	*Invisible Balances*	*Total*
North and Central America	— 1.7	+ 0.4 [a]	— 1.3 [a]
South America	— 0.1	0.0	— 0.1
Non-participating Sterling Area	— 0.2	+ 0.9	+ 0.7
Eastern Europe	— 0.2	+ 0.1	— 0.1
Other non-participating countries	—	—	—
Total	— 2.2	+ 1.4	— 0.8

[a] Including the estimated balances of the French, Benelux and Portuguese dependent overseas territories of some $250 million, but excluding the estimated surplus of the British dependent overseas territories of $300 million.

The adverse trade balances with all areas other than the dollar area are thus to disappear by 1952/53 or to be reduced to small dimensions. On invisible account there is expected to be a considerable surplus with the Sterling Area which goes to reduce the remaining deficit with North and Central America. The basic assumption in drawing up the programmes evidently was therefore that with areas other than North America the technical possibilities governing the supply of imports will set the limit to exports, while with North America, on the other hand, exports will be limited by the size of the market for European goods.

The assumptions about net invisible income imply broadly that the pre-war net income from service transactions will be nearly restored in real terms while net investment income, including the debt service, will turn into a negative sum of some $200 million :

Invisible Items in the Balance of Payments

(In thousand millions of dollars in current prices)

	1938	1952/53
Investment income	+ 1.3	+ 0.2
Debt service		— 0.4
Tourism	+ 0.7	+ 0.5
Transport		+ 0.3
Other invisible items		+ 0.6 [a]
Total	+ 2.0	+ 1.2 [a]

[a] Excluding the estimated net balances of the French, Benelux and Portuguese dependent overseas territories amounting to $250 million and $300 million estimated surplus of British dependent overseas territories with the dollar area.

The last item " other invisibles " consists largely of Italy's expected net receipts from emigrants' remittances and the net earnings of British oil companies operating abroad.

Invisible earnings are particularly difficult to estimate or to forecast ; in the light of recent trends, however, the above estimates appear rather conservative.[1] Thus, according to the estimates given in Table 71 above, net income from shipping has increased by no less than $700 million between 1947 and 1948, and in the latter year already reached the level forecast for 1952/53. The estimates of earnings from tourism appear to assume a 50 to 60 per cent increase in the real expenditure of United States tourists in comparison with 1938, which might well be exceeded in view of the great increase in incomes in the United States.[2] While the assumptions made about debt service are by no means excessive if the service of the various loans contracted since the war is fully met, the assumptions about investment income appear to envisage a further appreciable fall below the current level.

The likelihood of fulfilling the programmes depends, however, not so much on the invisible items as on the possibility of fulfilling the trade programmes both as regards exports and imports.

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[1] In last year's SURVEY (page 65) it was suggested that, for Europe as a whole, future receipts from investments and services would tend to be offset by amortization payments on loans from abroad, with the result that Europe's overseas exports would have to be brought into approximate balance with its overseas imports if balance of payments equilibrium were to be restored. The potential contribution of invisible items to the balance of payments now appears considerably more favourable for two reasons : (1) the revised estimates of invisible transactions in 1947 contained in Table 71 differ by some $500 million to Europe's advantage from the preliminary estimates given in Table 29 of the last SURVEY (although this is partly due to the inclusion in the present estimates of war surplus sales by European to non-European countries) and (2) the present estimates for 1948 indicate a much more rapid improvement than had been anticipated in the net balance on invisibles (which shifted from – $100 million in 1947 to + $600 million in 1948, chiefly because of the improvement in shipping discussed in Chapter 6).

[2] In 1929 the number of American tourists who came to Europe was 350,000 or some 80 per cent more than in 1938. Their aggregate expenditure was estimated by the United States Department of Commerce at $350 million or 2.7 times the 1938 expenditure of American tourists in Europe.

Table 111

O.E.E.C. PROGRAMMES FOR EXPORTS AND RE-EXPORTS IN 1948/49 AND 1952/53 TO THE OUTSIDE WORLD BY COMMODITY GROUPS AND AREAS OF DESTINATION

Millions of dollars in 1948/49 f.o.b. prices

Commodity group	North and Central America[a]		South America[a]		Non-participating Sterling Area		Other non-participating Countries		Total non-participating Countries	
	1948/49	1952/53	1948/49	1952/53	1948/49	1952/53	1948/49	1952/53	1948/49	1952/53
1. Agricultural produce for human and animal consumption, including beverages and tobacco	187	357	59	96	109	163	240	388	595	1,004
2. Mineral solid fuel	2	10	22	40	—	4	41	51	65	105
3. Oil and petroleum products[b]	..	21	..	7	..	4	..	53	..	85
4. Ores and metals, including crude and finished steel	71	147	115	217	165	290	197	336	548	990
5. Textile materials and products	296	456	171	251	502	661	243	378	1,212	1,746
6. Equipment and machinery, including transport equipment, ships and vehicles	94	221	359	657	777	1,075	442	1,073	1,672	3,026
7. Miscellaneous products	480	914	338	710	731	921	564	1,080	2,113	3,625
of which :										
Timber	*2*		*2*		*9*		*18*		*31*	
Pulp and paper	*81*		*70*		*103*		*61*		*315*	
Chemicals	*48*		*66*		*137*		*136*		*387*	
Glass and ceramics	*36*		*29*		*45*		*22*		*132*	
Metal manufactures	*24*		*73*		*151*		*80*		*328*	
Leather and manufactures thereof, excluding footwear	*21*		*5*		*12*		*6*		*44*	
Apparel and footwear	*33*		*5*		*38*		*29*		*105*	
Rubber manufactures	*1*		*9*		*18*		*16*		*44*	
Other products, raw materials, semi-manufactured and manufactured[c]	*234*		*79*		*218*		*196*		*727*	
Total	1,130	2,126	1,064	1,978	2,284	3,118	1,727	3,359	6,205	10,581

Sources. — The figures are taken from *Report to the Economic Co-operation Administration on the First Annual Programme*, O.E.E.C., Paris, 1948; *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948; and the long-term programmes published by member countries of the O.E.E.C.

Notes. — The figures show the f.o.b. value of exports and re-exports from all O.E.E.C. countries excluding Switzerland and the dependent overseas territories to the rest of the world, excluding the dependent overseas territories. Both exports from the O.E.E.C. countries to the dependent overseas territories and exports from the dependent overseas territories to the outside world are thus excluded.

[a] For the year 1948/49 the figures under the heading North and Central America refer to the United States of America, Canada and Newfoundland only. Central America is included under the heading South America.

[b] Excluding exports of oil and petroleum products from the United Kingdom which are included in "invisible items" in the O.E.E.C. balance of payments estimates.

[c] The figures under the heading "other products" for 1948/49 and 1952/53 include all re-exports from the United Kingdom and also include $16 million of Swedish exports in 1948/49 for which no commodity break-down was available.

On the side of exports, the aggregate increase of the order of 100 per cent in five years is undoubtedly very large (in relation to actual exports in the second half of 1948, the increase is, however, only 49 per cent) but its realization on the side of production ought not to impose undue burdens if the production plans are also realized at the same time. The increase in exports between 1947 and 1952/53 of some $5,000 million should be compared with the increase in industrial production from 1947 to 1952/53 which, if the programmes are realized, will amount to some $25 thousand million in 1948/49 prices for the O.E.E.C. area as a whole. Hence, the rise in exports overseas may represent no more than 20 per cent of the contemplated increase in industrial production over the same period.[1] Moreover, as was shown in Table 105, the realization of the export programmes will not imply any substantial increase in the proportion of agricultural and industrial production devoted to exports as compared with pre-war. The increase in exports will therefore depend more on the competitive power of European exports than on the physical limitations imposed by the capacity of European industries to produce them.

The available information on the export programmes is shown in Table 111. Between 1948/49 and 1952/53, the largest increases are planned in metals (chiefly steel) and machinery and equipment, of which exports to all areas are expected to rise by 80 per cent, and in the group of miscellaneous products, which are expected to rise by 72 per cent. In textiles, the expected increase in exports is only 44 per cent. There is, however, a surprisingly large increase in the category of food, drink and tobacco in which exports are expected to rise by nearly 70 per cent. The increases planned in the various categories are fairly evenly spread between the different areas; the largest percentage increases shown are those for equipment and machinery to other non-participating countries (*i.e.*, largely to Eastern Europe), in food, metals and textiles to the United States, in equipment and machinery to both North and South America, and in exports of steel and metals to the non-participating Sterling Area.

On the side of imports, the large-scale import diversion is an essential feature of the plans, because, with the present distribution of imports, the O.E.E.C. countries do not expect to be able to balance their accounts, which in the absence of the prospect of earning dollar surpluses in other areas would require an increase in exports to North America to nearly four times their present level.

The decrease in purchases from North and Central America amounts to $1,900 million compared with 1948/49 or $3,500 million compared with 1947. The largest increases projected are those for Eastern Europe and other countries (mainly the Far East) from which the O.E.E.C. countries expect to increase imports by $1,500 million during the programme period. Compared with 1947, the increase in imports from the non-participating Sterling Area is also very substantial. In relation to pre-war, the national programmes assume that imports can be raised above pre-war levels from South America, the Sterling Area and the Far and Middle East. With regard to Eastern Europe, the programmes assume the restoration of the volume of imports to only three-quarters of the pre-war level, although quantitatively the increase between 1947 and 1952/53 is as large as that from any other area.

The nature of the changes in imports since the war and over the programme period can be further analysed from Table 112, which shows the distribution of imports of twelve groups of commodities between the different areas in a pre-war year, in 1947 and in the initial and end years of the programmes. The twelve commodities shown cover some two-thirds of the total imports of the O.E.E.C. countries from the outside world.

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[1] This is based on the estimates of the value of industrial production of the various countries given in Table 16, Chapter 1 above, and the percentage increases in industrial production given in Table 99 in this chapter. On this estimate, the exports of the O.E.E.C. countries to the outside world represent some 12.5 per cent of the value of industrial production in 1947 and on the basis of the programmes would represent 15.5 per cent of industrial production in 1952/53. In 1938 the comparable ratio was 16 per cent.

Tab

ESTIMATES OF IMPORTS INTO O.E.E.
AND AREA

Millions of dollars i

Commodity	Pre-war Year	North and Central America				South America				Total Western Hemisphere			
		Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952 53
Bread grain	1938	398	1,216	1,121	633	136	218	58	253	534	1,434	1,179	886
Coarse grain	1938	179	115	185	106	325	195	271	315	504	310	456	421
Fats and oils	1937	66	100	187	109	161	278	253	139	227	378	440	248
Meat and dairy products	1938	112	277	180	38	185	210	170	231	297	487	350	269
Tobacco	1937	168	222	140	151	14	22	20	43	182	244	160	194
Mineral solid fuels	1937	—	433	155	8	—	—	—	—	—	433	155	8
Crude oil and petroleum products	1935-1938	232	684	651	655	113	15	20	14	345	699	671	669
Copper	1935-1938	125	..	93	98	103	..	66	84	228	..	159	182
Selected non-ferrous metals	1937	142	..	..	118	2	..	..	6	144	..	..	124
Raw cotton	1935-1938	545	263	396	435	194	177	158	224	739	440	554	659
Raw wool	1935-1938	2	18	8	—	156	80	77	122	157	98	85	122
Timber	1935-1938	166	258	126	101	9	13	11	39	175	271	137	140

As percentage of pre-war imports from each area

Commodity	Pre-war Year	North and Central America				South America				Total Western Hemisphere			
		Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952 53
Bread grain	1938	100	306	282	159	100	160	43	186	100	269	221	166
Coarse grain	1938	100	64	103	59	100	60	83	97	100	62	90	84
Fats and oils	1937	100	152	283	165	100	173	157	86	100	167	194	109
Meat and dairy products	1938	100	247	161	34	100	114	92	125	100	164	118	91
Tobacco	1937	100	132	83	90	100	157	143	307	100	134	88	107
Mineral solid fuels	1937	—	100	36	2	—	—	—	—	—	100	36	2
Crude oil and petroleum products	1935-1938	100	295	281	282	100	13	18	12	100	203	194	194
Copper	1935-1938	100	..	74	78	100	..	64	82	100	..	70	80
Selected non-ferrous metals	1937	100	..	..	83	100	..	..	300	100	..	..	86
Raw cotton	1935-1938	100	48	73	80	100	91	81	115	100	60	75	89
Raw wool	1935-1938	—	—	—	—	100	51	49	78	100	62	54	77
Timber	1935-1938	100	155	76	61	100	144	122	433	100	155	78	80

As percentage of total imports from all areas

Commodity	Pre-war Year	North and Central America				South America				Total Western Hemisphere			
		Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952/53	Pre-war	1947	1948/49	1952 53
Bread grain	1938	39	79	81	51	13	14	4	20	52	94	85	71
Coarse grain	1938	22	29	27	15	39	49	39	43	61	78	66	58
Fats and oils	1937	7	15	25	14	17	40	34	17	24	55	58	31
Meat and dairy products	1938	14	40	31	7	23	30	29	41	37	70	59	47
Tobacco	1937	69	79	69	63	6	8	10	18	75	87	79	81
Mineral solid fuels	1937	—	78	44	3	—	—	—	—	—	78	44	3
Crude oil and petroleum products	1935-1938	39	94	76	64	19	2	2	1	58	96	78	65
Copper	1935-1938	53	..	56	39	43	..	40	33	96	..	96	72
Selected non-ferrous metals	1937	55	..	..	55	1	..	..	3	56	..	..	58
Raw cotton	1935-1938	42	34	39	38	15	23	16	19	56	57	55	57
Raw wool	1935-1938	—	2	1	—	18	9	9	11	18	11	10	11
Timber	1935-1938	18	58	30	12	1	3	3	5	19	61	32	17

Sources. — The pre-war figures have been estimated by the Research and Planning Division, Economic Commission for Europe. The post-war figures have been derived from the *Report to the Economic Co-operation Administration on the First Annual Programme*, and the *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948, and the long-term programmes published by member countries of the O.E.E.C.

The estimates for pre-war years were generally obtained by applying estimated 1948/49 prices to figures for the physical quantity of imports of individual commodities which were derived from *European Trade Patterns — Report of the House Select Committee on Foreign Aid*, United States Government Printing Office, 1948; national trade statistics; data published or supplied by the Food and Agriculture Organization of the United Nations; reports of the Technical Committees of the O.E.E.C. and other sources.

12

OUNTRIES BY COMMODITY GROUPS F ORIGIN

948/49 f.o.b. prices

Non-participating Sterling Area				Other Non-participating Countries				Total Non-participating Countries				Pre-war Year	Commodity
re- war	1947	1948/ 49	1952/ 53	Pre- war	1947	1948/ 49	1952/ 53	Pre- war	1947	1948/ 49	1952/ 53		
268	49	145	133	222	47	64	218	1,024	1,530	1,388	1,237	1938	Bread grain
20	30	77	22	308	59	154	284	832	399	687	727	1938	Coarse grain
486	276	271	306	219	33	42	247	932	687	753	801	1937	Fats and oils
185	198	210	239	313	8	29	60	795	693	589	568	1938	Meat and dairy products
25	33	38	40	37	4	4	5	244	281	202	239	1937	Tobacco
—	—	—	—	208	123	200	268	208	556	355	276	1937	Mineral solid fuels
90	—	83	115	162	31	108	241	597	730	862	1,025	1935-1938	Crude oil and petroleum products
—	..	2	50	10	..	4	22	238	158	165	254	1935-1938	Copper
98	..	..	79	17	..	..	12	259	..	..	215	1937	Selected non-ferrous metals
143	65	96	122	429	272	364	373	1,311	777	1,014	1,154	1935-1938	Raw cotton
713	753	804	1,031	20	3	2	2	891	854	891	1,155	1935-1938	Raw wool
74	4	11	29	673	169	273	648	922	444	421	817	1935-1938	Timber
				As percentage of pre-war imports from each area									
100	18	54	50	100	21	29	98	100	149	136	121	1938	Bread grain
100	150	385	110	100	19	50	92	100	48	83	87	1938	Coarse grain
100	57	56	63	100	15	19	113	100	74	81	86	1937	Fats and oils
100	107	114	129	100	3	9	19	100	87	74	71	1938	Meat and dairy products
100	132	152	160	100	11	11	14	100	115	83	98	1937	Tobacco
—	—	—	—	100	59	96	129	100	267	171	133	1937	Mineral solid fuels
100	—	—	128	100	19	67	149	100	122	144	172	1935-1938	Crude oil and petroleum products
—	..	..	—	100	..	40	220	100	66	69	107	1935-1938	Copper
100	..	..	81	100	..	..	71	100	..	..	83	1937	Selected non-ferrous metals
100	45	67	85	100	63	85	87	100	59	77	88	1935-1938	Raw cotton
100	106	113	145	100	15	10	10	100	96	100	130	1935-1938	Raw wool
100	5	15	39	100	25	41	96	100	48	46	89	1935-1938	Timber
				As percentage of total imports from all areas									
26	3	10	11	22	3	5	18	100	100	100	100	1938	Bread grain
2	7	11	3	37	15	23	39	100	100	100	100	1938	Coarse grain
52	40	36	38	23	5	6	31	100	100	100	100	1937	Fats and oils
23	29	36	42	40	1	5	11	100	100	100	100	1938	Meat and dairy products
10	12	19	17	15	1	2	2	100	100	100	100	1937	Tobacco
—	—	—	—	100	22	56	97	100	100	100	100	1937	Mineral solid fuels
15	—	10	11	27	4	12	24	100	100	100	100	1935-1938	Crude oil and petroleum products
—	..	2	20	4	..	2	8	100	100	100	100	1935-1938	Copper
38	..	..	37	6	—	—	6	100	—	—	100	1937	Selected non-ferrous metals
11	8	9	11	33	35	36	32	100	100	100	100	1935-1938	Raw cotton
80	88	90	89	2	1	—	—	100	100	100	100	1935-1938	Raw wool
8	1	3	4	73	38	65	79	100	100	100	100	1935-1938	Timber

NOTES. — The figures for pre-war are only approximate estimates owing, mainly, to the difficulty of evaluating pre-war quantities of imports by commodities in post-war prices. They can, however, be considered as an adequate basis for comparison with the post-war figures. The figures for 1947 were obtained by revaluing in 1948/49 prices the estimates of 1947 imports (in 1947 prices) published by the O.E.E.C. These estimates, as noted by the O.E.E.C., are incomplete, and the figures for 1947 shown here may, as a result, understate the value of actual imports in that year. The breakdown of the 1952/53 figures into imports from North and Central America and imports from South America was estimated by assuming that the imports of the United Kingdom, for which no division of Western Hemisphere imports was given, would be divided between the two areas in the same proportions as the imports of the other O.E.E.C. countries.

The figures exclude imports into Switzerland and imports from the dependent overseas territories of member countries.

Comparing 1947 with pre-war, the table shows that the largest increases in the purchases from North and Central America occurred in the case of those commodities for which total import requirements have increased as a consequence of the war. This is the case with bread grains (of which the imports of the O.E.E.C. group from all sources increased by some 50 per cent) and with solid fuels (in which they increased by nearly 170 per cent). These two commodities alone account for $1,250 million of the total increase of $3,250 million in purchases from North America between 1938 and 1947. The substitution of North America for other sources of supply was, on the other hand, the main cause of increased imports in the case of timber, fats and oils, and to a lesser extent in meat and dairy products and petroleum products.[1] Increased purchases of these four commodities account for another $750 million. The remaining increase is largely to be accounted for by the increased imports of manufactured goods (chiefly equipment) which are not shown in the table.

Between 1947 and 1948/49 there was, according to the import programmes, to be a very substantial reduction in purchases from North and South America which was spread among a large number of commodities, of which the reduction in imports of solid fuels, textile manufactures and tobacco are particularly important.

Between 1948/49 and 1952/53, the fall in purchases from North America is partly the result of the reduction in import requirements for a number of commodities with the growth of European production, and partly the result of the diversion of supplies to other sources. A rough analysis would indicate that about one-half of the total planned reduction of $1,900 million is to be accounted for by the reduction in the total imports of commodities like bread grains, solid fuels, steel and machinery. The remaining half represents the extent of the diversion of imports to other sources, of which the most important examples are the expected increase in imports of bread grains and coarse grains from Eastern Europe and in fats and oils from the Far East. Smaller reductions are planned in a large number of other categories. In the other areas, the largest increases (apart from grains) are the expected increase of $400 million in timber imports from Eastern Europe, the increase in raw wool of $270 million, which accounts for the bulk of the increase in imports from the Sterling Area, the increase of petroleum imports of $160 million (largely from the Middle East) and the increase of $150 million in miscellaneous items mainly from Eastern Europe.

Apart from wool, where the change is due to an expected 30 per cent increase in total requirements over pre-war, all the major increases occur in areas and commodities in the case of which imports are at present greatly below pre-war, and they appear to reflect the expectation that by 1952/53 the pre-war volumes of trade with Eastern Europe and the Far East can be largely restored. How far this expectation is justified in the case of imports of fats and oils from the Far East is difficult to judge. In the case of Eastern Europe, the realization of the plans will depend not so much on the question of the physical availability of supplies as on the desire of the two politically divided areas of Europe to intensify their trading relations and to enter into appropriate long-term agreements for their promotion.

The Conclusions of the O.E.E.C.

The O.E.E.C., after an examination of the national programmes, concluded that it would be impossible to realize them in practice if they were not considerably modified. From a survey of the import programmes it concluded that the import requirements stated in the national programmes over-estimated the supplies that were likely to be available from every area of the outside world except North and Central America. It doubted, in particular, whether the expected supplies of wool from the Sterling Area, of cotton from South America and the Sterling Area, of fats and oils from the Far East, and of grain and timber from Eastern Europe, would, in fact, be available in the required quantities. The total over-estimate of available supplies in these areas was put at the order of $1,000 million. Not all these over-estimates relate to commodities which could alternatively be obtained from North-American sources. Hence, the overall import programme was also regarded as too ambitious in relation to potential world supplies.

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[1] In Table 112, imports from North America for post-war years include oil obtained from other sources which is to be paid for in dollars.

With regard to exports, the O.E.E.C. doubted, in view of the tremendous increase in exports of manufactures from the United States, whether Western European manufacturers would possess the competitive power to increase sales to the extent assumed. In a number of areas like Eastern Europe and the Sterling Area, it appeared that the capacity of countries to import goods from Western Europe would be limited by the ability of those areas to earn foreign exchange through exports. In other areas, such as South America, the Far East, or Canada, it appeared that exports would also be limited by the ability of Western Europe to compete with the United States, which has secured a major share in these markets. Finally, in the United States itself, exports would be limited owing to the fact that the share of imported manufactures in the United States has traditionally been very small, that wartime developments forced the United States to make for itself goods formerly imported from Europe, and that tariffs and customs practices in the United States tend to offset the price advantages which European commodities might offer. In the light of these considerations, the O.E.E.C. concluded that exports to the outside world would be unlikely to rise substantially above the 1938 level or the figure of $8,500 million in 1948/49 prices, instead of the $10,500 million assumed in the national programmes. This would still represent an increase of 57 per cent over the 1947 level, or 37 per cent above the level planned for 1948/49. It would mean, however, that the adverse balance of payments would still amount to $3,000 million at the end of the period or that, alternatively, imports would have to be restricted to $9,800 million or little more than three-quarters of the imports proposed in the national programmes. On the other hand, it was considered that a radical change in the economic policies of the O.E.E.C. countries coupled with a vigorous export drive might increase exports beyond the level of $8,500 million. But on account of the lowering of export prices which such a policy would inevitably involve, it was concluded that " it would be imprudent to assume that even a radical change of policy by the participating countries could realise more than 9.5 to 10 billions in exports by 1952/53 ".[1] This would still necessitate a considerable reduction in overseas imports both in relation to pre-war or to the current level, if an adverse balance of payments were to be avoided.

Estimates concerning future potentialities of such a vast and complex matter as the size of the world market for the products of Western Europe are always hazardous, particularly if they are based, as in the circumstances they inevitably must be, on a very rudimentary knowledge of the trends and future policies of the outside world. The judgment of what is possible or impossible is inevitably subjective, since the data on which an objective calculation could be based are almost entirely lacking. The national programmes submitted to the O.E.E.C. may well have over-estimated both the amount of supplies available for imports and their own capacity to export—although, for reasons given above, the exaggeration is unlikely to refer to the capacity to produce sufficient commodities for export but only to their ability to sell them. Any quantitative estimate, however, of the extent to which lack of competitive power will limit actual exports below the amount which the economies of the various countries can set aside for the purpose must primarily be a matter of subjective judgment. It was shown in Chapter 4 above that the volume of Europe's overseas exports expanded at a steady quarterly rate over the last two years, and if this rate were maintained in the future the overall export targets assumed in the O.E.E.C. national programmes would be reached in 1950 rather than 1952/53.[1] It was also shown in Table 91 above that the exports of the O.E.E.C. countries to the outside world in the second half of 1948 were, in fact, running at some 15 per cent above the level assumed in the programmes for 1948/49 or only 16 per cent below the maximum rate of $8,500 million assumed in the Interim Report of the O.E.E.C. In fact, if exports destined to non-European areas alone are considered, they are already above the pre-war level. So far, except for particular areas like North America, the level of exports of Western Europe to the outside world has been limited far more by the difficulties of making goods available for export than by the competitive power of Western European manufactures. As the expansion of exports continues, price considerations will exert an increasingly important influence, and the prices of European manufactures—which, as was shown in Chapter 5, have in general risen considerably more in relation to pre-war than those of the United States—may have to be reduced in relation to American prices. Such price adjustments may in any case be inevitable sooner or later as post-war shortages disappear and conditions in the world markets become more normal; but whether or not such price reductions will involve far-reaching changes in Europe's terms of trade (i.e., in the price relation between primary products imported and manufactures exported) will also depend on the corresponding movements in the exportable surpluses of the primary producing areas. Ultimately, Western Europe's ability to sell its manufactured exports will depend as much on the desire of the countries of the outside world to sell their surpluses of primary products as on their desire to buy European manufactures.

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[1] *Interim Report on the European Recovery Programme*, O.E.E.C., Paris, 1948, p. 68.

A full appraisal of the trade and balance of payments prospects of Western Europe would have to be based on assumptions not only in regard to the availability of supplies in non-dollar areas, but also on the future trade and balance of payments position of the United States. The present balance of payments deficit in Europe and the balance of payments surplus of the United States are merely two different aspects of a single situation; it would be impossible to eliminate the deficit without at the same time eliminating the surplus. Current planning, focused on the all-pervading dollar shortage, concentrates on achieving the maximum diversion of imports from the dollar area without regard to the effects of this policy on the American economy and, in particular, without any regard to the fate of the large exportable surpluses of the United States in a number of important commodities (such as wheat, cotton or tobacco) which its domestic economy could not technically absorb. Thus the balance of payments problem is just as much an American problem as a problem of Western Europe. In a sense, it is primarily an American problem, since it is necessarily the surplus area that must choose which of a number of alternative solutions it desires to adopt, while the deficit areas will necessarily have to adapt themselves to the particular solution adopted. When the European Recovery Programme comes to an end, the United States will be faced with the choice of increasing its imports either from Europe or from other areas, or of continuing foreign lending in some form, again, either to Europe or to other areas. If the first alternative is chosen, Europe's capacity to export will be automatically enlarged either to the United States directly, or to third areas whose purchasing power will be raised through increased American buying. If the second alternative is chosen, and large-scale lending to Europe continues, the restoration of equilibrium in the balance of payments will not, after all, present an acute problem. If, on the other hand, large-scale lending continues to areas outside Europe, Western Europe's power to export will again tend to be enlarged through the increased purchasing power of the borrowing areas.

The United States may not choose to adopt either of these alternatives of increased imports or continued lending but may instead restrict its exports and its production of those basic commodities of which large exportable surpluses at present exist. This, in turn, would probably force Europe to restrict its imports of basic commodities and possibly its production too. Thus the manner in which the American balance of payments problem is solved will be of primary importance to the European economy. But the initiative in each case lies with the United States rather than with Europe ; and in the absence of any knowledge as to the way in which America will deal with the problem, it is impossible to say how the world dollar shortage could be eliminated or what the maximum export capacity of Western Europe will be.

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[1] The exports of the United Kingdom in the first quarter of 1949 have already exceeded the 1952/53 target by an appreciable amount.

4. The Long-term Plans of Eastern European Countries

The six countries of Central and Eastern Europe—Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia—present a certain uniformity of pattern in economic and social policy and are, to some extent, confronted with similar economic problems.[1] In all these countries, manufacturing industry, mining, transport, public utilities and wholesale distribution are largely nationalized, and measures are also being taken to introduce co-operative or collective farming. The first series of economic plans, with the exception of that of Yugoslavia, were transitory in character and were designed to restore the economies of these countries from the damage they sustained during the war, and to pave the way for the introduction of long-term plans. By 1948, the pre-war levels of production were restored in a number of countries, and new plans for economic development were drawn up. Bulgaria and Czechoslovakia, the countries which suffered relatively slight war damage and had undertaken two-year reconstruction plans, started five-year development plans in 1949. On the completion of their current three-year plans at the end of 1949, Poland will start a six-year plan and Hungary a five-year plan. Yugoslavia, which started a five-year development plan directly in 1947, will not have completed her present plan until the end of 1951. Rumania has only just started a one-year transitional plan for 1949 which will be followed by longer-term plans. So far, only the new Czechoslovak and Bulgarian five-year plans have been published in full, while preliminary statements are available on certain general features of the new Polish and Hungarian plans.

The published long-term plans do not contain detailed plans for each year of the period they cover, but are more in the nature of frameworks within which annual, or sometimes even quarterly, operational plans are drawn up by the planning authorities. The primary aim of the plans is to lay down an investment programme for the various sectors of the economy for a period of five or six years, and to fix the production targets for the end of the period which should result from the realization of the investment programmes.

However, the plans leave considerable elasticity for yearly changes in the output of the various sectors. They state the increase in the national income and the increase in the value of gross production of the various industries to be achieved in the end year of the plan. The fact that the value of production in the particular branches is given only in terms of gross output, and net output figures are only available for the economy as a whole, makes it difficult to analyse the contribution of the various sectors to the increase in the national income. In the new Czechoslovak Plan, for example, the output of crops is to be raised by 11 per cent and the output of livestock produce by 86 per cent, giving an expansion of 37 per cent in the gross output of agriculture. The net increase in the value of agricultural production must obviously be considerably smaller, since the great expansion in livestock produce in relation to crops will mean either that the increase in crop production for human consumption will be considerably smaller than it appears, or else that imports of feeding-stuffs will have to be raised —a measure which in turn will reduce the available output of other sectors.

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[1] Albania ought also to be classed among this group of countries, but there is not sufficient information available for a discussion of the economic plans of Albania.

The plans do not contain any estimates of investment in stocks which, with the rapid growth of production assumed, must also be very considerable; nor do they show the allocation of national resources between personal consumption, government consumption and investment. As regards the increase in consumption, the Czechoslovak Plan states that the overall increase in individual and social consumption will be 35 per cent compared with the 48 per cent increase in the national income. The other plans contain only scattered information on the planned levels of consumption of particular commodities.

Unlike the plans for the Western European countries, the development plans of the Eastern European countries contain almost no information on trade with one another or with the outside world.

The primary aim of all the economic plans of the Eastern European countries is industrialization. With the exception of Czechoslovakia, all the countries in the group suffer from surplus agricultural populations which can only find an outlet in the development of industries. At the same time, their agriculture —as measured by the comparatively low yields per hectare—is also relatively undeveloped, but, as far as can be judged, the development of agriculture will lag considerably behind the development of industries.

Another common feature of the new plans is that they appear to aim at the development of more or less self-contained industrial economies in order to minimize their dependence on trade with the outside world. This is shown by the large emphasis placed on the heavy industries in all the plans. In Czechoslovakia, Hungary and Poland, which already had sizeable heavy industries before the war, development will proceed at a much faster rate in the heavy industries than in the light industries. Similarly, in Bulgaria and Yugoslavia, which had practically no heavy industries before the war, effort is concentrated on their development.

The similarity in the investment pattern in the various countries suggests that the industrial plans were drawn up individually, on a national basis. Evidence of a comprehensive attempt to co-ordinate industrial development exists only in the case of Poland and Czechoslovakia. These two countries concluded an agreement in July 1947 for the common development of the important industrial area of Těšzin-Cieszyn on both sides of their common frontier, and for the joint development of the harbour of Szczecin, as well as for allocation of production in a number of branches of the engineering industry between the two countries.

Another notable feature of the plans is that they aim at a geographical spread of industrialization throughout their individual areas by concentrating on the industrial development of the most backward regions. Thus the Czechoslovak Plan places emphasis on the development of Slovakia, the Yugoslav Plan on the development of Bosnia, Macedonia and Montenegro, and the Polish Six-year Plan on the development of the hitherto undeveloped northern and eastern parts of the country.

The Investment Plans

All the plans envisage steep increases in the rate of capital investment. In Table 113, investment under the new plans is compared with investment under the existing plans, which suggests that, in terms of dollars in 1948 prices, the average rate of gross investment in fixed capital under the new plans will be some $4,000 million per annum, or approximately twice the actual rate of gross investment in 1948 in the area as a whole, and may reach $5,000 million in the final years of the plans. Since the increase in the national incomes of these countries will be of the order of 50 to 100 per cent, the proportion of income devoted to investment will be greatly increased.

Information on the distribution of investment in the new plans between economic sectors is available, so far, only for Czechoslovakia, Hungary and Bulgaria. It shows that the proportion of investment going into manufacturing and mining will increase further. The share of investment going into housing, on the other hand, is to be reduced, and the

Table 113

DISTRIBUTION OF PLANNED INVESTMENT IN EASTERN EUROPEAN COUNTRIES

Millions of dollars in 1948 prices and percentages

Country and period		Capital expenditure (millions of dollars)		PERCENTAGE DISTRIBUTION OF INVESTMENTS					
		Total	Yearly	Mining and manufactures	Transportation	Agriculture	Housing	Public services	Other investment
Poland :	1947–1949. . .	1,950	650	39	24	13	9	11	4
	1950–1955. . .	. .	. .	. .	. .	. .	. .	. .	. .
Czechoslovakia :	1947/48. . . .	1,340	670	36	22	7	20	15	—
	1949–1953. . .	5,800	1,160	41	16	8	12	22	1
Hungary :	1947–1949. . .	570	190	32	27	9	12	20	—
	1950–1954. . .	2,200	440	49	17	17 [a]	7	10	. .
Rumania :	1949	450	450	47	21 [b]	9	21		2
Yugoslavia :	1947–1951. . .	2,900	580	43	26	8	23		
Bulgaria :	1947/48. . . .	221	111	45	15	6	11	17	6
	1949–1953. . .	850	170	40	19	13	5	19	4

Sources. — The figures have been taken from national publications. For details of sources and for dollar conversions, see Appendix B.

[a] Including drainage, irrigation and expenditure on livestock, fertilizers and seeds.

[b] Including roads.

share of investment going into agriculture—although it shows a notable increase in the new Bulgarian and Hungarian plans—remains low. It must also be borne in mind that " agricultural investment " tends to be interpreted rather broadly ; it includes, in some cases, investment in livestock, fertilizer and seed, which is not generally counted as investment in fixed capital, and also items like rural electrification and road building which are not strictly agricultural investments.

The new investment plans provide for the construction of some very large plants ; thus the Czechoslovak Plan envisages the construction of big steel works in Moravska-Ostrava, a big chemical combine for coal distillation and the production of synthetic oil, and four electric-power stations with capacities ranging from 120,000 kWh to 240,000 kWh. In Poland, two new steel plants with an annual capacity of 1½ million tons each will be constructed, as well as a big motor-vehicle factory in Zeranie. In Hungary, a new steel plant, a fertilizer plant and six major power stations are to be constructed. In Bulgaria, the biggest investments are in electric power plants, whose capacity is planned to increase from 64,000 kWh to 200,000 kWh. The production of dwellings, both in Poland and Czechoslovakia, will be relatively low ; there is to be an annual rate of increase of about 85,000 dwellings in Poland and 40,000 in Czechoslovakia, giving an annual rate of new construction of 1 to 2 per cent in relation to the existing stock of houses.

The Production Plans

Table 114 contains a summary of the available information on the increases in production, manpower and productivity, in the various branches of the national economies. It appears that the Yugoslav Plan provides for annual increases which are much higher than those of the other countries. The plans imply an annual increase in gross national product of 8 per cent in Czechoslovakia, 10 per cent in Hungary and Poland, 12 per cent in Bulgaria and 14 per cent in Yugoslavia. Manufacturing production is to rise by 9 per cent per annum in Czechoslovakia, 11 per cent in Poland, 13 per cent in Hungary, 17 per cent in Bulgaria and no less than 37 per cent in Yugoslavia. To achieve these increases, all the plans

Table 114

PLANNED INCREASE OF GROSS PRODUCT, MANPOWER AND PRODUCTIVITY IN EASTERN EUROPEAN COUNTRIES

Percentage change during the Plan period [a]

Country and sector	Total Plan period			Yearly average		
	Output	Manpower	Productivity	Output	Manpower	Productivity
Yugoslav (1947-1951) Plan :						
National product	93	..	..	14	..	..
Agriculture	52	..	..	8	..	..
Manufacturing	394	198	66	37	24	11
Mining	..	..	90	..	..	14
Handicrafts	50	..	—	8	..	—
Building and construction	..	..	56	..	..	9
Transportation	150	..	—	21	..	—
Czechoslovak (1949-1953) Plan:						
National product	48	5.6 [b]	..	8	1.0	..
Agriculture	37	—4.3	..	6	—0.8	..
Manufacturing	57	18.5	32	9	3.4	6
Handicrafts	20	..	..	4	..	..
Building and construction	130	50.0	53	18	8.0	9
Transportation	40	..	30	7	..	5
Bulgarian (1949-1953) Plan :						
National product	85	..	..	13	..	..
Agriculture	57	..	..	9	..	..
Manufacturing	119	38	62	17	7	11
Building and construction	..	21	90	..	4	14
Transportation	41 [c]	28	30 [c]	7 [c]	5	5 [c]
Hungarian (1950-1954) Plan:						
National product	60	..	..	10	..	..
Agriculture	35	..	..	6	..	..
Manufacturing	80	30	40	13	5	7
Polish (1950-1955) Plan :						
National product	74	..	..	10	..	..
Agriculture	36	—8.5 [d]	..	5	—1.4 [d]	..
Manufacturing	90	38	42	11	5	6
Building and construction	100	33	50	13	5	7
Transportation	60	12	42	8	2	6

Sources. — The figures have been taken from national publications. For details, see Appendix B.

[a] Per cent of last pre-plan year for each country except Yugoslavia, where the base is 1939.

[b] Change in total manpower.

[c] Railways only.

[d] Estimate.

assume considerable annual increases in productivity. These are the largest in the case of Yugoslavia and Bulgaria, where the annual increase in productivity in manufacturing industries implied in the plans is 11 per cent; in the case of Hungary, Czechoslovakia and Poland it is only 6 to 7 per cent.

The production targets in the various branches of industry are shown in Table 115. The greatest rates of expansion are in electric-power generation, steel production, the engineering industries and in the chemical industry. Electric power production at the end of the period covered by the plans will be nearly four times the pre-war level in Yugoslavia, three times in Hungary, nearly three times in Czechoslovakia, eight and a half times in Bulgaria and nearly six times in Poland. The total production of the five countries shown in Table 115 is planned to rise to some

Table 115

PLANNED PRODUCTION IN EASTERN EUROPEAN COUNTRIES FOR THE END-OF-PLAN PERIOD

Quantities and index numbers based on pre-war and on pre-plan year

Sector	Quantitative units	YUGOSLAVIA (1951)		CZECHOSLOVAKIA (1953)			BULGARIA (1953)			HUNGARY (1954)			POLAND (1955)		
		Quantity	Index numbers	Quantity	Index numbers		Quantity	Index numbers		Quantity	Index numbers		Quantity	Index numbers	
			1939 = 100		*1937 = 100*	*1948 = 100*		*1938 = 100*	*1948 = 100*		*1938 = 100*	*1949 = 100*		*1938 = 100*	*1948 = 100*
Mining :															
Coal	Million tons	16.5	272	28.8	172	163	6.5	312	163	..	..	..	90	128 [a]	128
Brown coal and lignite	Million tons			32.2	178	136				18	193	164	..	..	..
Iron ore	Thousand tons	1,500	245	1,400	76	98	..	..	500	..	..	..	..	..	..
Electricity : Electric power	1,000 million kWh	4.4	395	11.2	273	149	1.8	857	229	4.2	300	191	23.5	588	305
Metallurgy and engineering :															
Pig iron	Thousand tons	550	545	2,700	161	170	20	..	1,666	..	..	..	..	..	..
Crude steel	Thousand tons	760	323	3,500	152	133	10	..	..	1,500	232	188	7,000	386	304
Locomotives	Number	300	..	480	667	157	..	..	..	..	..	..	..	..	..
Wagons	Number	5,780 [b]	30,000	7,700 [c]	538	..	1,300	[d]	[d]	..	..	..	..	..	..
Tractors	Number	1,500	[e]	20,000	8,333	222	..	..	..	9,250	1,250	250	12,000	..	..
Motor vehicles	Number	6,000	[e]	24,000 [f]	296	182	..	..	..	2,000	114	200	18,000	..	..
Gross output of engineering industries [g]	Millions of 1948 dollars	65	688	825	336	193	..	650	580	250	328	200	670	412	280
Building materials Bricks	Million pieces	1,376	215	1,300	115	140	..	..	..	870	174	284	..	..	..
Building materials Cement	Million tons	2.2	330	2.6	..	..	0.7	335	146	1,000	295	250	..	..	..
Wood and paper :															
Sawn-wood	1,000 m³	1,700	..	2,800	..	..	1,230	205	115	..	..	..	3,500	65 [a]	109 [a]
Paper	Thousand tons	46	829	320	165	123	..	..	..	..	..	..	..	..	..
Chemicals :															
Nitrogenous fertilizers	Thousand tons	350	481	214	184	134	40	[d]	[d]	280	1,080	350	980	381	287
Superphosphates	Thousand tons			399	128	103	..	[d]	[d]	400	930	400	878	532	335
Textiles and clothing : Cotton yarn	Thousand tons	47.4	206 [h]	114.2	128	168	..	..	..	465	221	156	137.3	177	170
Textiles and clothing : Wool yarn	Thousand tons	..	..	41.8	154	131	..	..	..	40 [i]	285	160	49.5	145	152
Textiles and clothing : Shoes	Million pairs	8	208	72.5	132	113	8 [j]	..	..	9	190	150	..	..	..

Sources. — The figures have been taken from national publications. The data for "gross value of engineering" are estimates of the Research and Planning Division, Economic Commission for Europe. For details, see Appendix B.

[a] The index number refers to the pre-war production of the present territory.

[b] Including 5,500 freight wagons.

[c] In terms of freight wagons.

[d] No pre-war or 1948 production.

[e] No pre-war production.

[f] In terms of lorries.

[g] Defined as the value of final output (including the cost of materials) without duplication.

[h] Base of the index numbers : 1946.

[i] Millions of metres of woollen cloth.

[j] Of which 3 million pairs factory produced, the remainder hand-produced.

45 million kWh as against 20 million kWh in 1948 and 11 million kWh before the war. Coal production, on the other hand, will expand at a much lower rate, chiefly because Poland, the largest producer, does not intend to expand her production beyond 90 million tons, or 28 per cent above the 1948 level. In steel, Poland plans a threefold expansion which would bring production to 7 million tons, whereas Czechoslovakia, the other main producer, will raise production only by one-third to 3½ million tons. The aggregate production of steel of the five countries shown in Table 115 will be more than doubled compared with 1948. The gross output of the engineering industries will rise sevenfold in Yugoslavia, sixfold in Bulgaria, more than threefold in Czechoslovakia and Hungary and fourfold in Poland, in comparison with pre-war. Over the period of the plans, the increase of engineering output will be considerably greater than that of steel in the case of Czechoslovakia and rather less than that of steel in Poland. It is possible, therefore, that the present position of a surplus of rolling-mill products in Czechoslovakia and a deficit in Poland will be reversed, and that the Czechoslovak engineering industry will be partly dependent on Polish steel. The plans for consumption goods industries are not given in such detail, but, as far as is known, their expansion is to be below the average. The rates of expansion for textiles range between 30 per cent and 100 per cent, being lower in the case of wool than in the case of cotton. In the case of shoes, Czechoslovakia, the major producer in the area, will increase her production only moderately, while annual shoe production in the other countries will amount to one pair, or less, per head of population.

The long-term plans envisage a substantial increase in the industrial labour force. The Polish Plan expects an increase of 300,000 workers in manufacturing industries, the Czechoslovak Plan an increase of 250,000, the Bulgarian Plan an increase of 90,000 and the Hungarian Plan an increase of 300,000 (including industries other than manufacturing). These figures, if related to present employment in manufacturing, indicate substantial increases. If, however, the figures are related to the total populations of the countries, they are less striking. In the four countries mentioned, additional employment in industry over the plan period accounts for only 1 to 2 per cent of the total population, which is itself expected to rise by some 5 per cent in the same period. For this reason, whilst a substantial increase in the share of industry in total output can be expected, this process will go only a little way towards solving, within the period of the present plans, the problem of surplus agricultural populations.

The Agricultural Targets

The level of agricultural production was extremely low throughout Eastern Europe after the war. By 1948, production improved considerably, but it still remained some 10 to 20 per cent below the average pre-war level. The expansion of agricultural production is envisaged to take place at a slower rate than the development of industry. By the end of the plans, agricultural output may be one-sixth above pre-war in Czechoslovakia and Hungary, and one-third to one-half above pre-war in Bulgaria and Yugoslavia, but in Poland the output of the present territory may not exceed its pre-war level.

The production plans for agriculture proceed on different lines in Czechoslovakia and Hungary on the one hand, and in Yugoslavia and Bulgaria on the other. In Czechoslovakia and Hungary, the output of livestock produce is to increase considerably more than the production of crops, while in Bulgaria and Yugoslavia the opposite is true and greater emphasis is placed on crops. Among the different crops, more emphasis is generally placed on the increase in fodder plants, sugar beet, oil seeds, textile plants and tobacco. The area under grain will decrease compared with pre-war, though production is planned to rise as a result of the higher yields expected. The production of bread grains and coarse grains for the various countries is shown in Table 116. For the four countries for which plan figures are available, the production of coarse grains will be 12 per cent and of bread grains 4 per cent above the pre-war level. Since the

Table 116

SOWN AREA AND PRODUCTION OF BREAD AND COARSE GRAINS IN EASTERN EUROPEAN COUNTRIES

Country	AREA (Thousand hectares)			PRODUCTION (Thousand tons)		
	1934-1938 [a]	Actual 1948	Planned End of Plan [b]	1934-1938 [a]	Actual 1948	Planned End of Plan [b]
Poland :						
Bread grain	6,695	6,472	..	8,817	7,988	..
Coarse grain	3,000	3,075	..	4,463	3,414	..
Czechoslovakia :						
Bread grain	1,853	1,600	1,355	2,990	2,524	2,558
Coarse grain	1,511	1,400	1,425	2,551	2,240	2,703
Hungary :						
Bread grain	2,220	2,002	1,985	2,917	2,304	2,940
Coarse grain	1,866	2,006	1,850	3,213	4,012	3,450
Rumania :						
Bread grain	2,716	1,748 [c]	..	2,765	[d]	..
Coarse grain	5,452	5,236 [c]	..	5,208	[d]	..
Bulgaria :						
Bread grain	1,729	[d]	1,700	2,098	2,030	2,500
Coarse grain	1,252	[d]	1,240	1,407	1,230	1,970
Yugoslavia :						
Bread grain	2,453	[d]	2,425	2,760	[d]	3,158
Coarse grain	3,533	[d]	3,250	5,680	[d]	6,250
Estimated total of six countries :						
Bread grain	17,666	16,004	..	22,347	19,319	..
Coarse grain	16,614	16,502	..	22,522	22,853	..
Total of four countries : [e]						
Bread grain	8,255	7,784	7,465	10,765	9,618	11,156
Coarse grain	8,162	8,191	7,765	12,851	13,162	14,373

Sources. — The figures have been taken from national publications. For details, see Appendix B.

[a] The figures refer to post-war territory, except for Czechoslovakia for which they refer to pre-war territory.

[b] For Czechoslovakia and Bulgaria, 1953 ; for Hungary, 1954 ; for Yugoslavia, 1951.

[c] 1947.

[d] Estimate included in the total.

[e] Czechoslovakia, Hungary, Bulgaria and Yugoslavia.

population of these four countries will be about the same as before the war (though higher than at present), the supply of grain per head of the population will rise slightly and within grains a somewhat greater emphasis will be placed on coarse grains.

The livestock population of the area has been very considerably reduced. In 1945 it was just over one-half of the pre-war size as a result of the war. Over the area as a whole, the livestock population is to be restored to the pre-war level by 1950/51, the decreases in Poland being offset by increases in the other countries. Emphasis is laid on pigs and poultry, where more rapid returns are available and the amount of investment required is relatively small. The number of cattle and horses, on the other hand, will not have been completely restored to the pre-war level. Bulgaria, for example, plans a 100 per cent increase in poultry and a 153 per cent increase in pigs over the 1939 level by 1953.

Table 117

ACTUAL AND PLANNED LIVESTOCK POPULATION OF SIX EASTERN EUROPEAN COUNTRIES [a]

Million head

Year	Cattle	Horses, asses and mules	Pigs	Sheep and goats	Poultry	Total livestock population [b]
1934-1938 [c]	25.8	8.5	22.2	37.8	240.3	56.4
1945 . . .	14.9	4.4	8.9	23.4	55.9	28.7
1946/47 .	16.3	4.9	12.0	26.6	100.3	33.7
1947/48 .	19.6	5.8	17.9	31.5	144.2	42.5
1950/51 .	*22.7*	*6.9*	*29.4*	*38.5*	*257.6*	*55.8*

Sources. — The figures have been taken from national sources, data compiled by the Food and Agriculture Organization of the United Nations, and publications of the International Institute of Agriculture. For details, see Appendix B.

NOTE. — Provisional target estimates are italicized.

[a] Poland, Czechoslovakia, Hungary, Rumania, Yugoslavia and Bulgaria.

[b] In cattle units : 1 cow = 1 horse = 2 pigs = 6 sheep or goats = 50 chickens.

[c] Pre-war boundaries.

Table 118

ACTUAL AND PLANNED NUMBER OF TRACTORS IN RELATION TO ARABLE LAND IN EASTERN EUROPEAN COUNTRIES

Country and year		Number (thousands)	Arable land per tractor (hectares)
Poland	1946	5.5	3,000
	1947	12.5	1,320
	1948	14.4	1,150
	1949	*16.5*	*1,000*
	1955	*76.5*	*220*
Czechoslovakia .	1946	11.8	460
	1947	16.0	340
	1948	22.0	250
	1953	*45.0*	*120*
Hungary . . .	1947	11.9	490
	1948	13.3	440
	1949	*15.0*	*390*
	1954	*21.0* [a]	*280*
Rumania . . .	1948	11.0	850
	1949	*12.5*	*740*
Yugoslavia . .	1946	4.0	1,800
	1951	*4.5*	*1,710*
Bulgaria . . .	1946	4.6	920
	1947	4.9	870
	1948	5.0	850
	1953	*10.0*	*430*
TOTAL of above countries [b]	1946	44.9	1,100
	1947	59.3	820
	1948	69.7	700
	1949	*81.2*	*600*
	last year of Plan	*169.5*	*290*

Sources. — The figures have been taken from national publications. For details, see Appendix B.

NOTE. — Planned figures are italicized.

[a] State tractors only.

[b] Including estimates for those countries for the years for which data are not available.

The plans foresee a substantial increase in the use of tractors and of fertilizers. The number of tractors in the six countries, as shown in Table 118, rose from 45,000 in 1946 to 70,000 in 1948 and will rise to 170,000 during the period of the plans. Arable land per tractor had fallen to about 700 hectares by 1948 and is expected to fall to 300 hectares by the end of the plans. The increase in the number of tractors may not, however, compensate fully for the drastic reduction in draught animals. As Table 117 shows, the number of horses, asses and mules fell by about 50 per cent as a result of the war, and the pre-war numbers may not be restored by the end of the plans. To compensate for the shortage of 1.2 to 1.6 million horses, at least 200,000 to 270,000 tractors would be required.

In the countries of Eastern Europe there is also a great need for artificial fertilizers which is aggravated by the shortage of natural manure due to the large drop in livestock numbers. The shortage, which may be estimated at 450 thousand tons of pure fertilizer content for 1947/48, has not so far been made good by the increased application of artificial fertilizer which, for the same crop year, increased by only some 80 thousand tons over the pre-war average. A very substantial expansion in fertilizer application is, however, planned and, as Table 119 shows, by 1951 the total application of fertilizers should be about twice, and that of nitrogenous fertilizers over three times, the pre-war average. The amount of fertilizers per hectare will, however, still vary widely in the various countries.

Table 119

ACTUAL AND PLANNED CONSUMPTION OF ARTIFICIAL FERTILIZERS IN EASTERN EUROPEAN COUNTRIES

Thousands of tons and kilogrammes per hectare

Country and year		Total	Nitrogenous fertilizers	Phosphate fertilizers	Potash fertilizers	Total	Nitrogenous fertilizers	Phosphate fertilizers	Potash fertilizers
		Thousand tons [a]				Kilogrammes per hectare			
Poland	1934/38 [b]	121	27	54	40	6.4	1.4	2.9	2.1
	1946/47	142	52	35	55	8.6	3.2	2.1	3.3
	1947/48	179	56	58	65	10.8	3.4	3.5	3.9
	1950/51	*221*	*77*	*64*	*80*	*13.4*	*4.7*	*3.9*	*4.8*
	1955	*552*	..	..	..	*33.5*	..	..	..
Czechoslovakia	1934/38 [b]	105	25	50	30	17.9	4.3	8.5	5.1
	1946/47	132	25	37	70	24.3	4.6	6.8	12.9
	1947/48	129	27	44	58	23.8	5.0	8.1	10.7
	1953	*156*	*45*	*68*	*43*	*28.7*	*8.5*	*12.5*	*7.9*
Hungary	1934/38 [b]	11	3	7	1	1.8	0.5	1.2	0.2
	1946/47	1	1	—	—	0.2	0.2	—	—
	1947/48	5	2	3	—	0.9	0.4	0.5	—
	1954	*90*	..	..	..	*15.5*	..	..	..
Yugoslavia	1934/38 [b]	6	3	3	—	0.7	0.4	0.4	—
	1946/47	7	5	2	—	0.9	0.7	0.2	—
	1947/48	7	6	1	—	1.0	0.8	0.2	—
	1950/51	*63*	..	..	—	*8.2*	..	..	—
TOTAL of above countries	1934/38 [b]	243	58	114	71	6.2	1.5	2.9	1.8
	1946/47	282	83	74	125	8.1	2.4	2.1	3.6
	1947/48	320	91	106	123	9.1	2.6	3.0	3.5
	1950/51 [c]	*449*	*175*	*134*	*140*	*12.7*	*4.9*	*3.8*	*4.0*
	last year of Plan	*861*	..	..	..	*24.3*	..	..	..

Sources. — The figures have been taken from data compiled by the Food and Agriculture Organization of the United Nations and from national statistics. For details, see Appendix B.

NOTES. — Planned figures are italicized. Owing to rounding, sums of components do not necessarily equal the totals indicated above.

[a] Pure fertilizer content : nitrogenous fertilizers, 20 per cent ; phosphate fertilizers, 17 per cent ; potash fertilizers, 40 per cent.

[b] Pre-war consumption is related to pre-war arable land.

[c] Including estimates for Hungary, Czechoslovakia and Yugoslavia.

In Czechoslovakia the use of fertilizers per hectare in 1950/51 will be about twice as large as in Poland, and the differences in comparison with other countries are even greater. For the following years, the available data indicate that there will be a further very large expansion. By 1955, the use of fertilizers in Poland is planned to be raised two and a half times above the 1950/51 level, and an even larger increase is planned in Hungary.

Little information is available on the planned changes in the production of timber. In Czechoslovakia, the output is planned to reach a level about one-sixth above pre-war, but about one-fifth below 1948. In Yugoslavia, timber production at the end of the plans will be about one-sixth below the pre-war output.

Conclusions

The Eastern European countries largely depend on their own resources for their economic development ; their investment in fixed capital, as was shown above, though it may lag behind the plans, is rising fast and, as their national income increases, they plan to devote a higher proportion of resources to capital formation. The pace of development should therefore be accelerated in successive years. However, the degree to which they can solve the problem of industrialization within a limited space of time will depend not only on the level of capital investment but also on the nature of investment and, in particular, on how much additional employment a given amount of investment is able to create. All the plans indicate that capital investment will tend to be concentrated in those industries where capital per worker employed is relatively high. Hence, the increase in industrial employment, though substantial in relation to current levels of employment in industry, will go only a little way towards absorbing the surplus agricultural populations. If a higher proportion of investment were devoted to the light industries, the level of industrial employment and the level of real income would increase much faster. The emphasis on the development of heavy industries, while providing a firm base for the future, is bound to delay the pace of economic development and the rise in the standards of living in the intermediate years. The alternative of concentrating on the light industries or on agriculture would, however, require heavy imports of both agricultural and industrial machinery on which these countries, partly for political or strategic reasons, do not wish to rely. Before the war, the Eastern European countries were largely dependent on Germany for the supply of machinery and equipment, and their experience has taught them to feel that a country concentrating on heavy industries can secure economic domination over its neighbours. However that may be, there can be little doubt that their industrial development, both in heavy and light industries, could be considerably accelerated through higher imports of machinery and equipment, which in turn would require the creation of larger exportable surpluses of foodstuffs and industrial materials. In this respect, certain of the agricultural plans which aim at developing the production of crops faster than the production of livestock, may not be on the most advantageous lines. It was frequently argued before the war that the Eastern European countries ought to develop livestock production at the expense of crop production, since by this method they would be able to raise their agricultural output in terms of value at a faster rate, and could employ their dense agricultural populations more fully. In the long run it might be advantageous for the Eastern European countries to develop exports of livestock produce to Western Europe, even if it were necessary to import for this purpose coarse grain from areas where the density of agricultural population is low, such as the Soviet Union.

Chapter 9

PROBLEMS AND PROSPECTS

1. Recovery in 1948

The review of events presented in this Survey suggests that 1948 was, in all respects, a year of remarkable progress. Industrial production in Europe rose by 16 per cent and agricultural production by 12 per cent. In the Soviet Union, industrial production rose by 27 per cent and the grain harvest reached its pre-war level. The productivity of labour in industry appears to have risen by some 9 per cent. The rise in industrial production in Europe, and the rise in productivity of labour, were greater than in the previous year. There was a substantial improvement in the rate of capital formation and the volume of net investment exceeded the 1938 level by about one-quarter. The improvement in exports was even greater than in production. The volume of overseas exports increased by 30 per cent and at the same time imports from overseas were reduced by 6 per cent as abnormal requirements, mainly from the Western Hemisphere, diminished. Imports from the United States were cut by 30 per cent. The supplies of raw materials to industry improved considerably in most branches of production, which eased specific shortages and secured a more balanced improvement. Concurrently with the rise in production, there was a gradual return to conditions of monetary stability which improved incentives to work in a number of countries and contributed in turn to the rise in production. In the field of public finance, Government budgets were generally balanced, and in some countries the surplus of revenue over current expenditure provided a major source of finance to capital investments.

With the exception of a few countries—notably Italy, Hungary, Belgium and the Western and the Soviet Zones of Germany—unemployment remained very low. The continued absence of mass unemployment was the major reason for the recovery of production being so much faster than after the first World War. The economic depression which set in in 1921 caused a strong recession in industrial recovery with the result that the pre-war level of production was not reached until 1925, or seven years after the conclusion of hostilities. After the second World War, the comparable result was achieved in three years. Assuming that the current high levels of employment can be maintained—and the countries of Europe are now undoubtedly far better equipped for offsetting the effects on their own economies of cyclical influences emanating from outside—the rise in industrial production is bound to continue. In the more developed industrial areas of Europe, increases in production will largely depend on the rate of increase of productivity, since there are no appreciable reserves of unemployed labour to draw upon. In the less developed countries, however, the rise in industrial production may be accelerated by the gradual absorption into industry of surplus populations from the land. Industrial productivity has recently been rising at abnormally high rates in relation to pre-war, which, as has been indicated in Chapter 1, was due to the return to more normal conditions and probably reflects also the delayed effects of technical improvements made in the past ten years.

In the coming years, the rate of increase in productivity will probably slow down as, in one industry after another, the organization of production settles down to a more stable pattern. But this is likely to be a gradual process, so that, if high levels of employment are maintained, substantial increases in production may continue for some years.

While the record of recovery since the war is thus impressive and, with continued full employment, further progress may be counted on in the coming years, the significance of this advance cannot be judged solely in terms of percentage increases. One must also consider the level taken as the starting-point and the magnitude of the problems to be faced. The probable improvements over the next five years, or even in the coming decade, are not likely to bring about a solution of the basic economic problem of Europe—the severe poverty in which the majority of the European peoples live, which could only be removed through revolutionary changes in the techniques of production. As is argued in the final section of this chapter, the resources that are likely to be devoted to capital investment are far from adequate to secure any really substantial improvement in living standards, or to narrow the tremendous gap between the actual levels of productivity in European industry and the levels that could be reached if the capital equipment and organization of production were improved to standards comparable with those in the United States of America.

The maintenance of high levels of employment will depend, moreover, not only on the internal policies of the European countries but on their continued ability to obtain the necessary supplies of raw materials from abroad. At present, this is only temporarily assured through the financial assistance provided by the United States, in the absence of which Europe could have financed only two-thirds of its overseas imports in the past year. The problem of the overseas balance of payments remains, therefore, the most threatening aspect of Europe's present economic situation. It is primarily a problem of the Western European countries, but it affects the Eastern European countries as well, whose imports of raw materials from overseas will increasingly depend on the surpluses earned in their trade with Western Europe.

As was shown in Chapter 6, the deficit in Europe's balance of payments with the outside world has fallen by about one-quarter, or $2,000 million in 1948 compared with 1947, and, but for the rise in the prices of imports in relation to exports, the improvement would have been more than $1,000 million greater. In fact, the adverse balance of $5,600 million was still very substantial. Reckoned in 1948 prices and assuming that invisible transactions will improve by an additional $600 to $800 million, it will require a further increase of exports of 55 to 60 per cent to cover the cost of the current volume of imports. Since in the last two years Europe's overseas exports expanded at the rate of 30 per cent per annum, the continuance of the same rate of expansion would mean that the necessary increase would be reached before the end of 1950. Viewed from the side of production, this is by no means an impossible goal, since overseas exports in themselves form only a fairly modest proportion—around 15 per cent—of Europe's industrial production, and the level of industrial production has so far been rising at the rate of more than 10 per cent per annum. But how far it will be possible to restore the balance of payments in this way will also depend on two other factors which are only partly under the control of European countries. One is the future movements in Europe's terms of trade which are largely influenced by the world price relations between primary products and manufactured goods. The other is the nature of the adjustments in the United States balance of payments which must occur concurrently with the elimination of Europe's current balance of payments deficit. In the following sections these two aspects of the problem will be examined in some detail.

2. Prospects of the Terms of Trade

One of the most important variables affecting Europe's future position is the movement of its terms of trade. If, for instance, the terms of trade should move to Europe's disadvantage by only 10 per cent, the increase in exports necessary to restore balance of payments equilibrium would have to be about 30 per cent greater than on the present basis. Conversely, an improvement of only 10 per cent would reduce the size of the export expansion required by an equal amount. The actual outcome in Europe's terms of trade will be determined by two main factors. One is the prospective change in export prices of European countries in relation to those of their overseas competitors, particularly the United States. The other is the change in the relative scarcity of primary products in relation to manufactures.

Europe's Export Prices

As was shown in Chapter 5, Europe's terms of trade have deteriorated in the last two years, although the deterioration so far has been more moderate than is commonly supposed. In 1946, the overseas terms of trade of Europe as a whole were, in fact, more favourable than in 1938 ; in 1947 they were about equal ; and in 1948 they were about 10 per cent worse. It has also been seen, however, that movements in Europe's terms of trade do not as yet fully reflect the rise in the prices of foodstuffs and raw materials in relation to the prices of manufactured goods as expressed in price movements in the American market. This is largely due to the fact that the export prices of European countries have risen considerably more than corresponding United States prices, while, in the particular case of the United Kingdom, foodstuffs and raw materials have been procured abroad at prices considerably more favourable than those ruling in the United States. Measured in terms of American price movements since 1938, the relative increase in the prices of Europe's imports compared with those of its exports would have been 27 per cent rather than 10 per cent in 1948, although the fall in American prices of primary goods would have reduced this deterioration to 22 per cent by the end of the year.

The analysis in Chapter 5 suggested that the ability of European countries to sell their manufactures at relatively high prices was largely due to the world dollar shortage and the system of inconvertible currencies which was inevitably associated with it. There can be little doubt that the further expansion of exports required to restore balance of payments equilibrium will necessitate the lowering of European export prices relative to American prices. Although in certain markets European goods may be protected from competition with United States exports by bilateral controls over trade, price reductions would almost certainly be necessary in any export expansion aimed at reducing the dollar deficit, since this would inevitably involve either replacing American products with European products in third markets, or increasing exports to the United States, or both.

Hence, Europe's terms of trade will be likely to continue to deteriorate with a further approach towards balance of payments equilibrium, unless the prices of primary products in the world markets fall sufficiently to offset the reduction in export prices. In American markets the prices of foodstuffs have fallen considerably from the very high levels reached in January 1948, and the prices of industrial raw materials have also shown a declining tendency in the last few months. It may be worth while, therefore, to examine some of the basic factors responsible for the post-war movements in prices of primary goods and to consider the future prospects more closely.

Price Movements of Primary Products

The prolonged rise in the prices of primary products relative to the prices of manufactures is perhaps the most important single factor which causes Europe's present position to compare unfavourably with that of the aftermath of the first World War. After the first World War, the problem of post-war adjustments was very greatly eased by the fall in the prices of foodstuffs and industrial raw materials in terms of manufactures. During the slump of 1921, the prices of primary products in world trade were 30 per cent lower in terms of manufactured goods than in 1913. In subsequent years the relative prices of primary products rose, but remained throughout the 1920's some 10-20 per cent lower than before the first World War. In the 1930's there was a further considerable fall in the prices of primary products, so that in 1938 a given volume of manufactured goods bought about 50 per cent more primary products than in 1913. It must be emphasized, however, that this favourable relationship between the prices of primary products and manufactures throughout the inter-war period was rather exceptional in relation to past history. The United Kingdom's terms of trade (which largely reflect this price relation) were distinctly more favourable during the inter-war period than at any time since the 1820's.[1]

The comparative scarcity of primary products is affected by a number of factors, the most important cause being the relative movement of primary and secondary production in the world as a whole. In addition, the distribution of production between different areas also has an influence, particularly in the case of foodstuffs, in that an increase in production in the food surplus areas, or a fall in production in the deficit areas, has a bigger influence on prices than the same percentage change spread proportionately over all areas. But, fundamentally, the relative movement in primary and secondary production is probably the most important factor which determines the prices at which primary products and manufactures exchange against each other. Over long periods, the relative movement of productivity in the two sectors exerts an influence on this relation. Over shorter periods, however, cyclical factors, which mainly affect the output of secondary industries, exert a more powerful influence, since the output of manufactured goods is far more responsive to short-term changes in demand than the output of primary products.

In the inter-war period the expansion of industrial production was restricted by lack of effective demand giving rise to heavy unemployment in all the main industrial areas. According to the calculations of the League of Nations,[1] world industrial production was only 4 per cent above 1913 in 1923, while world agricultural production was 3 per cent higher.[2] In the early 1930's, world industrial production fell on account of the intense economic depression and this led to an increased relative abundance of primary products.

The picture after the second World War has been fundamentally different. In 1948, world industrial production, according to the estimates of the United Nations,[3] was 42 per cent above 1938, whereas world food production in 1947/48 was 4 per cent below the average of 1934-1938.[4] The increase in world industrial production was largely due to the rise in production of the United States which accounts for nearly one-half of the world's total production of manufactured goods, and whose output was 115 per cent higher than in 1938 (or 70 per cent above 1937). Industrial production in the rest of the world was only 7 per cent above pre-war ; in Europe, excluding Germany, it was 13 per cent above 1938. The rise in United States production since 1938 was, in greater part, due to an increase in industrial employment of 70 per cent and only to a lesser extent to an increase in the productivity

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[1] On the basis of United Kingdom trade statistics, the price relation between the imports of primary products and the exports of manufactures appears to have been similar in the period 1810-1825 to the period 1921-1938. From the late 1820's, the cost of imports in terms of exports gradually rose by about 50 per cent, until the mid 1860's, and afterwards gradually fell by about 20 per cent until 1913.

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[1] *Memorandum on Production and Trade, 1913 and 1923-1927*, League of Nations, Geneva, 1929, p. 17 ; also, *Industrialization and Foreign Trade*, League of Nations, Geneva, 1945, p. 134.

[2] Between these two years, therefore, the relation between world agricultural and industrial production thus remained broadly the same. If agricultural prices nevertheless fell considerably in relation to industrial prices, this may be explained by the relatively high increase in production in the food surplus areas, particularly in North America.

[3] *Major Economic Changes in 1948*, Department of Economic Affairs, United Nations, Lake Success, 1949.

[4] In the following year, world agricultural production probably somewhat exceeded the pre-war level, but no estimates are yet available.

of labour.[1] In Europe, the rise in production was entirely due to the rise in employment.

In agriculture, the fall in production was concentrated in Europe and to a lesser extent in the Far East. In other areas production has been above pre-war, the increase being largest in the United States and Canada, where output in 1947/48 was 30 per cent, and in 1948/49 40 per cent, higher than in 1935-1939. In contrast to industry, there was an actual fall in employment in agriculture in the United States and the rise in production was entirely due to a 75 per cent increase in output per man and a corresponding 35 per cent increase in output per hectare. In the food-deficit areas, the scarcity of foodstuffs caused by the fall in production was aggravated by the fact that the surplus areas other than North America reduced their exports in relation to production, and retained larger shares of their output for home consumption. Thus, the deficit areas are now very much more dependent on North-American supplies than before the war. The United States and Canada accounted for 46 per cent of world exports of food in 1947/48 compared with only 18 per cent in 1934-1938.

As the large increase in world industrial production since 1938 was mainly due to an increase in the level of employment, and only to a smaller extent to a rise in the productivity of labour, the increase in world industrial production clearly cannot continue at the same rate, even assuming that current levels of employment are maintained and are not reduced by cyclical influences. On the other hand, with the recovery in production in Europe, and as a result of new investments in overseas territories, world primary production is likely to continue to expand.

Though the opening-up of new areas which resolved periods of food shortage in the past (such as the opening-up of the American West in the mid-19th century; Argentina, Australia and New Zealand in the late 19th and early 20th centuries) is unlikely to be repeated on the same scale, the possibilities of substantial increases in food production are by no means exhausted. The experience of the United States in the past ten years—when the productivity of agriculture rose at a very much faster rate than that of industry—points to the vast potentialities for increasing food production through raising output per hectare, though the realization of such improvements would be a gradual process requiring heavy capital investment in agriculture. Recent indications also suggest that the Soviet Union may come back to the world market as a large exporter of grains.

The indications are therefore that in coming years world primary production will tend to increase relatively to secondary production. The question whether the price relations of the inter-war period—particularly of the 1930's, which were unusually favourable to Europe—can be restored is, however, more doubtful. For one thing North America is likely to retain a far bigger share of the world food trade than before the war, and hence will exert a major influence on the level of prices of basic foodstuffs. United States price support policies may prevent a large fall in grain prices, even if the world's supply and demand situation would indicate a fall. On the other hand, world prices of industrial raw materials will clearly be more sensitive to cyclical movements in the United States. An economic recession in the United States would tend to improve Europe's trade relations with overseas countries, other than the United States, since, under the present system of inconvertible currencies, a fall in American demand would not necessarily propagate itself in other areas. Considering its effects on the relative scarcity of primary products alone, it would therefore undoubtedly tend to ease Europe's adjustment problem. On the other hand, an American recession would further aggravate the world dollar shortage, since United States imports would tend to fall relatively to its exports. It would therefore bring the basic problem of the American balance of payments even more acutely into the foreground.

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[1] The rise in the productivity of labour in industry between 1938 and 1948 was actually 27 per cent, but a considerable part of this increase was merely a reflection of the increase in employment in that the low level of activity in 1938 depressed the level of productivity as well. In relation to 1937, the rise in industrial productivity was only 15 per cent.

3. THE UNITED STATES AND EUROPE

The Dollar Problem

Europe's balance of payments with the United States presents an additional and far more intractable problem than the general problem of disequilibrium caused by the insufficiency of exports in relation to imports. It was indicated above that an expansion of Europe's overseas exports of the order of 55 to 60 per cent would, at the 1948 terms of trade, suffice to cover the current volume of imports. This, however, would not in itself solve the dollar problem. A general rise of some 60 per cent would still leave Europe's exports to the United States $3,000 million short of the current level of imports from the United States. Hence, to eliminate the deficit on current dollar transactions, either the increase in exports would have to be largely concentrated in the United States market—in which case the necessary increase in exports to the United States would have to be of the order of 300 per cent rather than 60 per cent—or else conditions would have to be created under which the European countries would be able to convert their surplus earnings in other areas into dollars, on a large scale.

As long as the post-war level of production of European countries remained low in relation to their essential needs, the balance of payments deficit appeared to have its setting primarily in European conditions and could be regarded as simply the expression of the need for large-scale assistance for relief and reconstruction. With the recovery which has now been achieved in European production and trade, the nature of the problem has changed fundamentally. It is clear that Europe's balance of payments deficit has its counterpart in the United States balance of payments surplus. Deficits and surpluses are simply alternative expressions of the same quantity, like two sides of a single coin. Neither problem can be considered in isolation from the other. It is true that the United States shows a surplus not only towards Europe, but towards other major trading areas as well, the latter amounting to some $2,700 million in 1948. This, however, only aggravates the problem of the United States balance of payments surplus and, so long as the surplus retains its universal character, restoration of multilateral trade and payments in world trade is rendered impossible.

The Dual Nature of United States Trade

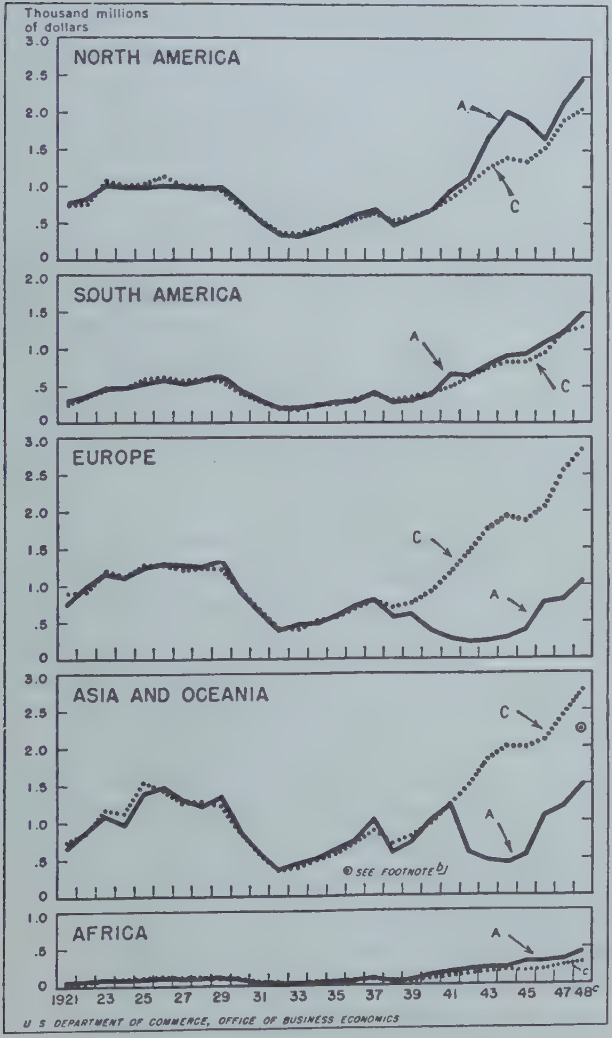
The essence of the problem lies in the fact that the United States, besides being the most highly developed industrial country of the world, is also the world's largest surplus area and Europe's largest supplier of primary products. Its foreign trade has consequently a peculiar dual character. On the one hand, it is similar to that of the Western European countries in that the United States imports foodstuffs and raw materials from primary producing countries and exports manufactures to them. On the other hand, it supplies primary products (and also manufactures) to the industrialized countries of Europe which can only furnish manufactured goods in return. The second type of exchange, however, does not function smoothly because, unlike other primary producing areas, the American economy is not dependent on the importation of foreign manufactures to any major extent. Europe's trade with the United States thus does not conform to the traditional pattern of Europe's overseas trade, which consists of the sale of manufactured goods in exchange for foodstuffs and raw materials to countries which do not possess sufficient industrial capacity to satisfy their own requirements. The productive capacity of American industry is more than capable of satisfying home demand ; hence, any considerable importation of manufactured goods would tend to restrict the utilization of home industrial capacity unless the demand of American consumers could be stimulated sufficiently for the growth of consumption to keep ahead of the rise in productive capacity.

The exceptional self-sufficiency of the United States, which is thus responsible for the unbalanced nature of its foreign trade, is only partly to be explained by such well-known factors as the abundance of its natural resources or the highly protectionist tariff policy it followed in the past. An important additional cause is to be found in the special developments of the American economy arising out of the first and second World Wars. In both of these periods—and to a much greater extent during and after the second World War than the first—the structure of production in the United States was adapted to meet the special wartime and post-war needs of Europe as well as to sustain its own military effort abroad. As a result, the increases in production were largely concentrated on those sectors—such as foodstuffs and engineering products—in which its peacetime production had already tended to exceed domestic consumption requirements. At the same time, the severance

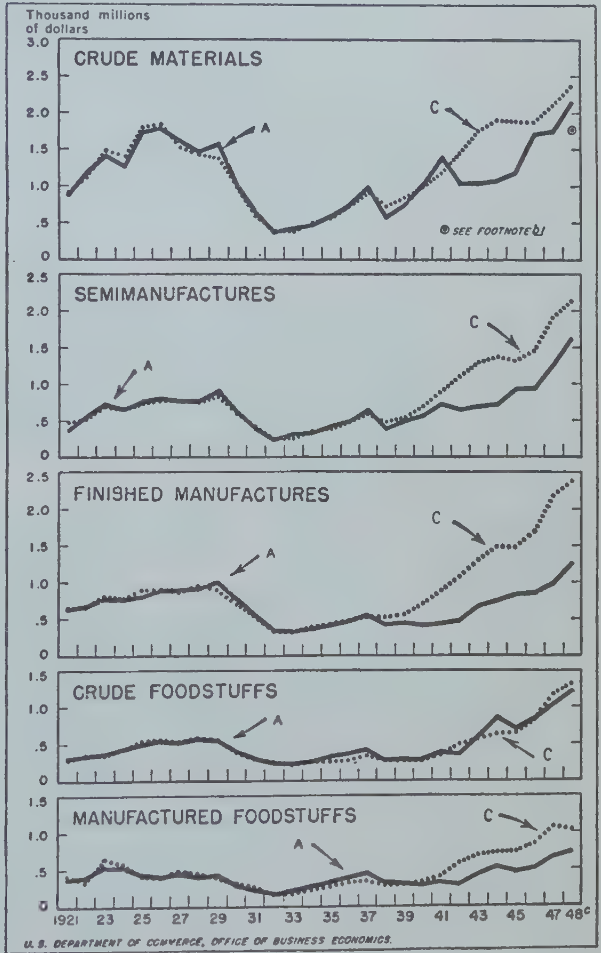
Chart 7

ACTUAL AND CALCULATED IMPORTS OF THE UNITED STATES: BY GEOGRAPHIC AREAS AND BY ECONOMIC CLASSES

A = Actual C = Calculated [a]



U S DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS



U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS.

Source. — Reproduced from *Survey of Current Business*, United States Department of Commerce, February 1949.

[a] Calculated imports were derived from the relationship between gross national product and imports for 1921-1938. For crude and manufactured foodstuffs, regressions exclude the years 1934-1937 when drought conditions caused abnormally high imports.

[b] Calculated imports excluding all silk and 250,000 short tons of rubber representing the minimum amount reserved by law for synthetic rubber production.

[c] Figures for 1948 are based on data for nine months.

of major sources of imports provided a strong stimulus, more effective even than high tariffs, to the development of new branches of industry—such as chemicals, dyestuffs and optical glass during the first World War, or synthetic rubber during the second.

The effects of the second World War on increasing American self-sufficiency may be gauged from the fact that the total amount of imports in 1948 was only 5 per cent greater in real terms than in either 1929 or 1937, whereas the United States total production was two-thirds larger in 1948 than in either of those years. The deficiency in United States imports since the war, compared with what they would have amounted to on the basis of the pre-war relationship between imports and production, is clearly shown in Chart 7. It will be seen that the shortfall in United States imports has been chiefly in finished manufactures and semi-manufactures, and that imports from Europe in particular were roughly $1,750 million less in 1948 than could have been expected on the basis of pre-war experience. Part of this deficiency may be due to shortages of supply and may therefore disappear as production recovers in Europe and the Far East, but the war has undoubtedly resulted in a considerable displacement of American demand for goods previously obtained from these areas.

Although seen from opposite sides, the balances of payments of Europe and of the United States are thus intimately related. Europe's prospects of attaining equilibrium are closely bound up with the future evolution of the external position of the United States. This of course will be affected by the policies pursued by Europe, but it will depend even more on the policies pursued by the United States independently of Europe ; and both the nature and the size of the adjustments which Europe has to make will vary greatly according to whether the United States follows one policy or another.

Alternative Solutions to the Problem

Briefly expressed, there are three possible lines of solution to the balance of payments problems of Europe and the United States : Europe can expand exports, curtail imports or go on borrowing. The United States can expand imports, curtail exports or go on lending. The question is, however, more complex than this, for each of the three courses in turn contains various possible alternative lines of development.

A reduction in United States exports could take place in either or both of two ways : a reduction in the flow of primary products to Europe, or a reduction in exports of manufactured goods, both to Europe and to overseas countries. With regard to the first possibility, it was seen in Chapter 6 that European purchases of foodstuffs and industrial materials from the United States declined appreciably from 1947 to 1948 and in some instances were already smaller than before the war. The possibilities of further curtailment will depend on the extent to which supplies from non-dollar sources can be expanded with the rise in production in Europe itself and in overseas areas. For reasons given earlier in this chapter, Europe's total requirements for primary products from the United States are likely to remain—at least for some time—higher than before the war ; and even then, Europe's exports, although higher than at present, directly covered less than half of its imports from the United States.

With regard to the second possibility, United States exports of manufactures to Europe, though less than in 1947, were still abnormally high in 1948 on account of reconstruction needs, and will probably continue to decline. Exports of United States manufactures to other areas are also likely to fall because of the lack of financial means to continue purchases at recent levels. Europe may benefit to some extent in consequence, since the dollar shortage may induce South America and other overseas areas, with which Europe still has a sizeable deficit, to turn to Europe as a source of supply. However, any reduction of exports which would indirectly serve the purpose of reducing Europe's present dollar deficit, would necessitate displacing American manufactures beyond that point—i.e., it would be necessary for third countries to divert their purchases to European countries not on account of the shortage of dollars but because European goods can compete successfully with American goods. Only in this way can the expansion of European exports proceed far enough to enable third countries to earn a dollar surplus which they could apply to purchases in Europe.

The possibility of increasing United States imports as an alternative to making the adjustment through a reduction of exports might also take either of two forms : an increase in American imports of manufactured goods from Europe, or a rise in American purchases of primary products from other overseas countries. It has already been seen that United States imports of both types since the war have been abnormally low in relation to its national income, while, in order to eliminate the surplus in the United States balance of payments at the current level of exports, the rise in imports would have to proceed considerably beyond the restoration of the pre-war relation between imports and the national income.

Any of the alternatives discussed so far would be almost bound to entail an appreciable deterioration in Europe's terms of trade, and thus would make the burden of adjustment larger than was indicated. A reduction in American exports of primary products to Europe could clearly be pursued only to the extent that Europe could obtain essential supplies from alternative sources. Moreover, any large-scale attempt at such a diversion of purchases would be bound to raise the price of imports from non-dollar areas.[1] As was shown in Chapter 5, last year there were already some spectacular price increases for this reason, which, in certain cases, yielded no appreciable increase in supplies.

A substantial increase in American imports of primary products from overseas areas, although it would be unlikely to take place in the absence of special measures, might restore the multilateral pattern of trade whereby Europe's dollar deficit could be covered through surpluses earned in third countries, and thus make it possible to spread the increase in exports over a wider market. On the other hand, it would tend to reduce considerably the supplies of primary products available to Europe and thus raise their relative scarcity in relation to manufactures.

If, on the other hand, a multilateral pattern of trade were to be restored through a reduction in American exports to non-European areas, the supply of primary products would be larger, but the prices of European manufactures would have to be considerably reduced in order to make them sufficiently competitive to displace American goods on a large scale.

Finally, if the adjustment took the form of increased United States imports directly from Europe, again the prices of European manufactures would have to be reduced in order to enable them to compete more effectively with American goods in the American home market.

Among these alternatives, the one last discussed might well prove to be the most advantageous form of adjustment from a European point of view, despite the difficulties involved in exporting manufactured goods to a more highly developed industrial area. It would avoid the necessity for a downward adjustment in the volume of world trade which, from the standpoint of Europe, is certainly a less desirable alternative than an adjustment through an expansion of trade. It would mean, also, that European countries would have a greater freedom of choice in selecting the range of commodities in which they wished to compete with American manufactures. The displacement of American products in third markets would necessarily have to be concentrated more on the products of the heavy industries where the comparative cost advantages of American industry are the greatest. Increased European exports to the United States, on the other hand, could be more concentrated on the products of the light industries, where the comparative advantage of the United States is less.

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[1] Such a rise in non-dollar prices might, however, be offset by a resulting fall in American prices.

As against these considerations, the expansion of European sales in the United States market would have to overcome formidable obstacles. The American tariff, although progressively reduced during the last fifteen years, still excludes many European commodities which might otherwise successfully compete in the United States market. In addition, American customs procedures involve delays and uncertainties which add inordinately to the usual risks in international trade. The fact that sales of European manufactures in America have hitherto been extremely small means that a substantial increase of exports to America would involve launching sales in a new market and would certainly require heavy initial marketing expenditures. In Table 120, an estimate is given of the share of European exports in total American consumption in the case of 55 commodities in 1937. The average share of European goods amounted to only 0.6 per cent, and in only four cases was the share larger than 10 per cent.[1] Comparable figures are not yet available for post-war years, but since Europe's current exports of manufactures are now only about 60 per cent of the 1937 level, whereas American manufacturing output has risen by 70 per cent, the ratios in 1948 would, on the average, be only about one-third as large or of the order of 0.2 per cent.

Although it would thus be possible to increase exports from Europe very substantially without significantly encroaching on the share of American suppliers in total domestic sales, the problem is likely to become more difficult as the post-war sellers' market ends and as available supplies rise in relation to demand.

While the readjustment problem naturally appears less critical to the balance of payments surplus area than to the deficit area, the choice among the different courses which have been considered is, in a sense, more difficult from the standpoint of the United States than from the standpoint of Europe. In the immediate post-war period, the high level of United States exports tended to intensify domestic shortages in some commodities and, for a time, to add to inflationary pressure. But with tendencies towards surpluses now becoming evident in certain commodities, and with some uncertainty over the future course of business activity, a continued decline in United States exports, whether of manufactures or of primary goods, would inevitably have repercussions on the American economy. On the other hand, the same factors would give rise to equally serious problems in the absorption of substantial amounts of additional imports. There is no reason to suppose that the United States would be more willing than any other country to admit imports of foreign goods at the cost of restricting domestic activity and employment ; and the care which has been shown throughout the Trade Agreements Programme to avoid damaging any domestic industry provides an indication of the difficulties that might be encountered in undertaking an active policy for the stimulation of imports on a scale sufficient to balance the external accounts.[1]

Thus, a continued reduction in exports or an increase in imports sufficient to balance its external accounts would present an equally unwelcome choice. A similar dilemma faced the United States after the first World War when it requested European countries to repay their war debts, but was unwilling to admit imports on a sufficient scale to make their payment possible. The situation following the second World War has become still more distorted, since it would now be difficult for the United States to absorb sufficient imports to pay for current exports, let alone for the repayment of debt.

Because of the difficulty of choosing between export contraction and import expansion, the United States has tended to regard the

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[1] The commodities given in Table 120 cover two-thirds of total United States imports of finished manufactures from Europe in 1937, excluding certain items which are more in the nature of industrial materials (particularly fertilizers, newsprint, wrapping-paper and chemicals).

[1] It may be significant in this connection that, in the legislation authorizing the European Recovery Programme in 1949/50, the United States Congress included a prohibition against the use of any ERP funds to advertize foreign products or attractions in the United States.

Table 120

EUROPE'S EXPORTS OF SELECTED FINISHED MANUFACTURES TO THE UNITED STATES IN RELATION TO UNITED STATES CONSUMPTION IN 1937

Millions of dollars

Commodity	Europe's exports to the United States [a]	Apparent United States consumption [b]	*Share of Europe in United States consumption (per cent)*
1. Cotton cloth	8.1	995.9	*0.8*
2. Jute manufactures	8.6	70.1	*12.3*
3. Woollen woven goods	7.8	296.2	*2.6*
4. Linen woven goods	20.9	27.0	*77.4*
5. Worsted woven goods	2.0	410.8	*0.5*
6. Corsets	0.3	69.2	*0.4*
7. Handkerchiefs and mufflers	1.9	25.7	*7.4*
8. Hosiery	1.2	359.6	*0.3*
9. Shirts and collars	0.1	182.6	*0.05*
10. Straw hats	0.8	14.9	*5.4*
11. Other textile apparel	9.8	2,409.0	*0.4*
12. Linoleum and oilcloth	0.8	47.8	*1.7*
13. Wood manufactures	2.2	831.5	*0.3*
14. Cork manufactures	0.6	21.5	*2.8*
15. Glue and isinglass	0.4	30.4	*1.3*
16. Medical preparations	3.6	332.8	*1.1*
17. Soap, perfumery and cosmetics	1.2	425.6	*0.3*
18. Petroleum products	0.2	2,290.7	*0.009*
19. Rubber manufactures	0.6	852.8	*0.07*
20. Leather footwear	4.0	767.9	*0.5*
21. Leather gloves	5.6	36.2	*15.5*
22. Other leather manufactures	1.6	183.7	*0.9*
23. Abrasives	0.3	72.7	*0.4*
24. Asbestos manufactures	0.1	61.3	*0.2*
25. Glass and products	8.2	476.1	*1.7*
26. Marble, breccia and onyx products	0.1	78.9	*0.1*
27. Pottery	4.2	265.2	*1.6*
28. Barbed wire	0.9	9.5	*9.5*
29. Needles	0.8	36.6	*2.2*
30. Other iron and steel advanced manufactures	8.5	2,041.2	*0.4*
31. Aluminium manufactures	1.2	165.2	*0.7*
32. Jewellery	2.8	97.0	*2.9*
33. Electrical machinery	0.4	1,592.3	*0.03*
34. Electric appliances and apparatus	0.8	631.2	*0.1*
35. Industrial machinery	12.7	2,766.0	*0.5*
36. Agricultural machinery	3.4	443.6	*0.8*
37. Vehicles	1.9	5,578.3	*0.03*
38. Artificial flowers	1.4	15.8	*8.9*
39. Brushes	0.4	44.5	*0.9*
40. Buttons	1.0	32.2	*3.1*
41. Cigarettes, cigars, etc.	0.2	1,263.3	*0.02*
42. Feathers, plumes and products	0.1	2.3	*4.3*
43. Firearms	0.3	20.1	*1.5*
44. Fur manufactures	2.1	158.3	*1.3*
45. Matches	0.3	31.2	*1.0*
46. Musical instruments	4.4	45.3	*9.7*
47. Pencils, pens and holders	0.8	41.8	*1.9*
48. Photographic goods	6.5	106.4	*6.1*
49. Scientific and professional instruments	1.2	91.0	*1.3*
50. Optical goods	1.0	47.0	*2.1*
51. Dentists' equipment and supplies	0.3	27.1	*1.1*
52. Smokers' articles	0.5	8.0	*6.3*
53. Toys and sporting goods	1.4	107.6	*1.3*
54. Umbrellas, canes, etc.	0.1	13.5	*0.7*
55. Watches, clocks, etc.	10.8	105.6	*10.2*
TOTAL of products specified	161.4	27,158.0	*0.6*

Sources. — Foreign Commerce and Navigation of the United States, 1937 ; Biennial Census of Manufactures, 1937, Part I, United States Department of Commerce. [a] As reported in United States import statistics. [b] United States production, plus net imports with no allowance for changes in stocks.

payments problem as primarily one for which Europe must find the ultimate solution. It has accordingly concentrated its attention more on the plans and prospects for remedying Europe's balance of payments deficit than on the inseparably related issue of solving the United States balance of payments surplus.

The plans produced by the O.E.E.C. countries, in the absence of any guidance as to whether and at what level the United States would like to balance its own accounts, have accordingly proceeded as far as possible along the only course more or less subject to their own control—that is, the maximum curtailment of imports from the United States and the development of substitute production in Europe itself or in other non-dollar areas. The United States is thus in the strange position of financing a programme which is directed largely towards the reduction of its own exports. It faces the anomalous prospect that, by the end of the programme, it will have surpluses and excess production capacity in commodities for which it has helped (directly or indirectly) to develop substitute sources of supply elsewhere ; its own exports to Europe will be reduced below the depression-shrunk volume of 1938 ; and Europe nevertheless will still be short of dollars to cover its imports from the United States.

Currency Convertibility and the Balance of Payments

Uninviting as this prospect may be, it would seem to be inevitable so long as the restoration of " equilibrium " towards which both the United States and the European countries are aiming is one in which the United States balance of payments on current account is assumed to be equalized. In the event, the United States will probably continue for many years to assist the outside world through investment loans—in much the same way as Britain financed capital development in the rest of the world during the 19th century—but the danger is that, so long as the prospects of lending are uncertain and so long as American financial assistance continues to retain its present emergency character, the very form of assistance will tend to perpetuate the various emergency measures taken by other countries which obstruct progress towards freer and less discriminatory trading conditions.

The only feasible alternative would be for the United States to plan ahead its long-term lending to the rest of the world in a manner that would generate a predictable and reasonably steady flow of dollars to the outside world and thus permit the restoration of international currency convertibility. If the annual flow of dollars paid out by the United States could be foreseen as a more or less steady volume, whether large or small, European and other countries would be enabled to adjust their trade and exchange policies to a basis which would not continue to involve open discrimination against American goods. Unless the total dollar flow were relatively large, the restoration of currency convertibility would undoubtedly require an adjustment of exchange rates between the dollar and other currencies—the magnitude of the adjustment depending on the prospective volume of dollars supplied by the United States to the rest of the world. This would be necessary in order to equalize the relative attractiveness of goods available from the United States compared with goods available from other countries, and thus to avoid the competitive import curtailment that would otherwise follow if they endeavoured to earn dollar surpluses in trade with one another.

But the main point is that, without some assurance as to the future flow of dollars available, the restoration of currency convertibility could not be undertaken at all. The present system, consisting of annual appropriations and allotments closely geared to the estimated minimum deficits of the O.E.E.C. countries and disbursed through separate authorizations for specific purchases, could never provide the flexibility and the margin required for the maintenance of currency convertibility. Moreover, to enable European countries to meet their balance of payments problems successfully, and in ways which do not require the progressive restriction of imports from the United States, dollar aid need not be supplied directly to Europe itself for an indefinite or prolonged period. What is indispensable is that the volume of dollars supplied to the world generally should be adequate to cover the balance of payments surplus that it is desired to maintain, since this should automatically make it possible for European countries to earn in multilateral trade the dollars which they are unable to obtain through exports to the United States.

The main question facing the United States, if it desires to restore international currency convertibility by such means, is to determine the annual amount of long-term lending which it wishes to extend, taking into account the net cost to the American economy. It would, of course, be wrong to suppose that the amount of lending extended is in itself a measure of the net cost. As against the direct cost, one must also consider the cost, in the event of export contraction, of maintaining unused capacity or of transferring resources out of the production of cotton, wheat, tobacco, machinery and other export industries into lines where the production could be disposed of in the domestic market. In addition, there are the possible social costs that would be incurred if domestic consumption did not, in fact, suffice to absorb total production and maintain employment. A major increase in United States imports, while the most desirable course from Europe's standpoint, might similarly tend to displace existing production and require a transfer of resources to other lines of activity.[1]

The desired rate of long-term lending would thus depend on two sets of calculations. The first concerns the level at which the United States desires to maintain its exports, taking into account both the prospective requirements of other countries and the dependence of many branches of United States agriculture and industry on foreign markets. The second concerns the prospective level and trend of United States purchases from abroad. This, in turn, depends on the secular growth of imports and such further increase in imports as could be expected from any action which the United States is prepared to take to promote imports either singly or in co-operation with other countries—including the effects of a further change in United States tariff policy. In view of the factors mentioned, it is reasonable to assume that, even after the possibilities of import stimulation have been taken into account, the desired level of United States exports will continue, for a number of years, to exceed the level of imports by a sizeable margin—though perhaps a gradually narrowing one, since the level of American imports can be expected to show a gradual rise. Once the annual rate of dollar financing is thus determined, any remaining tendency towards an uncovered balance of payments surplus could be overcome if necessary by a general adjustment of exchange rates, and the way would thus be open to a general restoration of currency convertibility.

The difficulty would undoubtedly be to find a form of financing which would not bear the stamp of an emergency expedient and which, at the same time, could be administered in a manner that would yield a reasonably steady annual flow of dollars to the rest of the world. The most desirable course would seem to be for the United States to schedule a major programme of capital investment abroad for specific development projects staggered over a period of time. The essential features of such a programme appear to be : first, that the whole body of investment, like any normal investment, whether domestic or international, should be regarded as of a long-term or more or less permanent nature, as distinguished from individual loans, which would have maturities appropriate to the service life of the particular capital goods which they finance ; secondly, while the capital supplied should serve directly and indirectly to finance the gap between United States exports and imports, the whole purpose of rectifying the world dollar shortage would be thwarted if the funds supplied were directly tied to expenditure on United States goods; thirdly, the financing provided should not be used merely to sustain consumption, but should be granted in connection with specific projects designed to make the maximum contribution to a rapid increase in world productive capacity.[1]

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[1] For a similar appraisal of the situation with regard to the payment of war debts to the United States after the first World War, see *The Costs of the World War to the American People,* by J. M. Clark, Carnegie Endowment for International Peace, 1931, pp. 95 and 96, in which the author questioned whether the debts could be " paid in a way that will enrich the American producing-and-consuming economy as distinct from filling the Federal Treasury and relieving the taxpayers of some monetary burdens".

There may be some doubt, as the experience of international lending agencies suggests, as regards the possibility of maintaining a steady flow of productive international investment on a scale which would correspond to the financing required to meet the international payments problem. In many under-developed countries, not only the material resources required for development are lacking, but also the resources of trained manpower necessary to make a proper appraisal of their production possibilities and to establish properly thought-out development projects. In the short run, it may be possible to overcome this difficulty only by extending greatly enlarged technical as well as financial assistance.[1] The difficulty in question, however, is not a universal one—in particular, it is not applicable to Europe itself—and relates more to the problem of attaining a rapid increase in the rate of investment than of maintaining the flow of investment at a rate which is agreed upon and calculated at a sufficient time in advance. For there can be little doubt that the technical possibilities of stepping up productive capacity through capital investment both in Europe and elsewhere in the world are practically unlimited. In Europe itself, as will be shown in the following section, the level of investment existing or planned is extremely low, and is far from adequate to permit any substantial exploitation of the inherent potentialities for raising the productivity of labour and natural resources, both in industry and agriculture, in the foreseeable future.

4. Productivity and Standards of Living

A solution of Europe's balance of payments problem is essential if the present standards of living of Europe's populations are to be maintained. In itself, however, the restoration of equilibrium in foreign payments will not contribute to the raising of living standards; it is even possible that, in the process of restoring financial solvency, standards of living might have to be lowered. The more fundamental problem of the European economy is the increase in the productivity of European industry and agriculture which alone could satisfy the universal desire for better standards of living.

The magnitude of this problem may be gauged from the figures given in Table 121, which show in comparable terms the productivity of labour in industry and agriculture and the productivity per hectare in agriculture for a number of European countries and for the United States before the war. From these estimates it appears that: (*a*) both in industry and agriculture, the level of productivity showed extreme variation between the different areas of Europe, productivity of labour in industry in the most developed countries being three times, and the productivity of labour in agriculture six to seven times, as high as in the less developed countries; (*b*) the productivity of labour in agriculture was universally lower than in industry, and the difference was greatest in the less developed countries where the proportion of the total population engaged in agriculture

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[1] This would not mean, of course, that the dollar funds supplied would not serve indirectly to finance the purchase of consumers' goods from the United States. If, for instance, European engineering firms and producers of capital equipment are able to bid successfully on projects in Latin America financed by United States dollars, the dollar funds thereby become available to European countries to help in paying for the whole range of their imports from the United States.

[1] On the problem of formulating sound investment projects in under-developed countries and the importance of technical assistance, see particularly the *Third Annual Report, 1947/1948*, International Bank for Reconstruction and Development, especially pp. 14-19.

Table 121

THE PRODUCTIVITY OF INDUSTRY AND AGRICULTURE IN EUROPE AND IN THE UNITED STATES

In dollars of 1938 purchasing power

Country	Net value of industrial output per person engaged in 1938		Net value of agricultural output 1934-1938		Percentage of population dependent on agriculture [a]
	excluding small-scale industry	including small-scale industry	per person engaged	per hectare	
North-Western Europe					
Denmark	970	900	440	84	30
Ireland	910	830	310	122	53
Norway	910	890	200	86	27
Sweden	990	950	470	61	31
United Kingdom [b]	910	910	560	86	6
Western Europe					
Belgium-Luxemburg	..	..	400	154	15
France	..	580	280	57	29
Germany [c]	880	790	290	101	20
Netherlands	..	790	500	183	18
Switzerland	..	..	430	203	22
Central and North-Eastern Europe					
Austria	..	..	160	74	26
Czechoslovakia [b]	550	450	200	67	33
Finland	490	360	110	49	57
Hungary	430	340	150	43	51
Poland	500	400	130	52	60
South and South-Eastern Europe					
Bulgaria	320	300	110	45	75
Italy	550	450	130	33	44
Rumania	430	290	80	27	72
Other countries	..	..	80—100	25	60
Total Europe (excluding U.S.S.R.)	..	645	175	51	36
United States [b]	..	1,730	580	30[d]	25

Source. — Research and Planning Division, Economic Commission for Europe. For details, see Appendix A.

NOTES. — The figures refer to the net value of output after deducting depreciation. Industry comprises manufacturing and handicrafts, mining and power production. Building and construction are not included.

The estimates relating to the productivity of labour in agriculture are merely approximations since the numbers actively engaged in agriculture cannot be ascertained accurately for all countries. A similar uncertainty is attached to the numbers engaged in handicrafts and small-scale industry. The data given for large-scale industry are more reliable, but the definition of what constitutes large-scale industry varies from country to country.

Agricultural land areas were reduced to " arable equivalents " in the manner outlined in *Economic Demography of Eastern and Southern Europe*, League of Nations, Geneva, 1945, page 196.

[a] At the time of the last pre-war census in each country.

[b] 1937, for industry.

[c] 1936, for industry.

[d] Estimate.

was relatively high ;[1] (*c*) the productivity of labour in industry of even the most developed areas of Europe was only about one-half that of the United States, while in the least developed countries it was only one-fifth to one-sixth that of the United States. For Europe as a whole, the productivity of labour in industry was only one-third of the United States figure and the productivity of labour in agriculture was even less.[2]

While the superior productivity of the United States may to some extent be explained by its abundant supply of natural resources in relation to its population, there can be little doubt that the bulk of the difference was not due to such " natural " factors, but to its higher standards of capital equipment and the use of more efficient techniques in production. These differences, therefore, may provide an indication of the extent to which the productivity of European labour could be raised through the adoption of superior techniques requiring both more capital equipment and more efficient methods of organization.

The estimates in Table 121 also indicate the twofold character of the problem which faces European industry and agriculture. On the one hand, there is need to increase the productivity of both industry and agriculture to the very much higher levels that could be reached by the use of up-to-date techniques. On the other hand, there is the need to increase the productivity of agriculture in relation to industry in order to level up the differences between these two sectors. In the least developed areas of Europe, where the productivity of labour in agriculture is extremely low on account of excessive rural populations, any movement of labour from agriculture to industry is beneficial even if industrial productivity is also low in relation to that of other countries, since a decrease in rural population would not cause any appreciable reduction in agricultural output. At the same time, the very low output per hectare in agriculture is an indication that the opportunities for economic development are by no means confined to industrialization. In the areas of Europe where agriculture is least developed, output per hectare before the war was only one-sixth to one-eighth of the level reached in the European countries where agriculture is most highly developed. Although climatic and soil conditions in the less favoured areas may never permit an increase in agricultural productivity up to the level of the most developed countries of Western Europe, there is undoubtedly scope for very substantial increases.[1]

Since 1938, the differences in productivity between European and American industry and agriculture have become considerably greater. The productivity of labour in industry in Europe as a whole, as was shown in Table 4, was still 10 per cent below pre-war in 1948 (or 3 per cent below pre-war if Germany is excluded). The fall in agricultural productivity was considerably larger. In the United States, on the other hand, there was a 27 per cent rise in productivity in industry (in relation to 1938 [2]) and a 75 per cent rise in the productivity of labour in agriculture (in relation to 1935-1939). Hence, in 1948, the productivity of labour in European industry was about one-quarter and in European agriculture of the order of one-sixth of that in the United States.

The production plans of the European countries described in the previous chapter provide for substantial increases in production and productivity in the next few years. These plans, even if fully realized, would, however, go only a little way towards removing these differences. Although the information given in the various plans does not permit any precise estimates to be made of the implied movements in productivity in all countries, it appears that in the countries of Western Europe the productivity of labour in industry is expected to be some 25 to 30 per cent above pre-war in the final year of the plans—i.e., 1952/53—while in Eastern Europe the increase in productivity in relation to pre-war may be somewhat larger. On the other hand, the productivity of labour in agriculture in Europe generally is expected to be only 10 to 20 per cent higher than pre-war. Thus, the increase of productivity implied in the current economic plans between 1938 and the early 1950's is little, if at all, greater than the increase actually realized in the United States between 1938 and 1948.

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[1] It should, of course, be borne in mind that the productivity relations between industry and agriculture depend on the level of prices in which output was measured. In the terms of 1938 dollars, the estimates show a considerably less favourable relation for agriculture than would be obtained by measuring output in 1948 prices.

[2] As Table 121 shows, the difference in agricultural productivity was due to the low productivity of the less developed countries, since, in some of the more developed countries, such as the United Kingdom, the productivity of labour in agriculture was comparable to that in the United States. In the United States itself, agricultural output per head was equal only to about one-third the value of industrial output per head. Such differences do not, however, exist universally ; in New Zealand, for example, output per head in agriculture was almost as high as the value of industrial output per head in the United States.

[1] Even in some of the countries of Western Europe where climatic and soil conditions would favour high agricultural productivity, output per hectare was extremely low before the war. In comparison with neighbouring countries, output per hectare in France was one-third of the level in Belgium, and about one-quarter of that in Switzerland.

[2] *Cf.*, however, note 1, p. 215 above.

The rise in total industrial production, and thus the rise in real income, should be greater than the rise in productivity, particularly in the Eastern European countries, where the plans provide for large increases in industrial employment out of the reserves of surplus population on the land. In agriculture, however, with the exception of a few countries such as the United Kingdom, Turkey and Bulgaria, whose plans provide for an expansion of output of the order of 50 per cent in relation to pre-war, the planned increases per hectare, and thus in total production, are relatively moderate.

The main factor limiting the rise of industrial and agricultural productivity in Europe is the rate of capital investment. The estimates in Chapter 3 indicate that total investment in fixed capital in Europe in 1948 may have been about one-quarter larger than before the war. Even so, investment was very low in Europe in comparison with the United States; per head of population it may have amounted to $12 in 1938 prices, as against $65 in the United States. The level of investment, like the level of productivity, varies widely in the different areas. In the less developed countries it was of the order of $4 to $10 per head, as against the $30 to $50 reached in the countries with the highest real income per head. These differences should be narrowed down in the coming years, since the plans of the countries of Eastern Europe provide for considerable increases in the rate of investment, whereas the levels of investment in the more developed countries of Western Europe have reached a peak or are rising only moderately. So long as the less developed areas are left to their own resources, however, the rate of capital formation is bound to remain low in relation to investment opportunities. The estimates given in Chapter 3—with due allowance for the large margin of uncertainty which is necessarily involved in calculations of this kind—indicate a striking contrast between countries of high real income and high capital investment, such as Sweden, where the rate of growth of capital is relatively large and the expected rate of increase in production relatively small, and the countries of low real income or investment per head, where a low rate of growth of capital is associated with a relatively high rate of growth of production.

It is also doubtful whether the distribution of investment between the different branches of the economy of the various countries of Europe will secure the optimum results with the limited resources for investment available. As was shown in Chapter 3, the investment pattern shows a high degree of similarity in the various countries. The production targets, described in Chapter 8, also indicate that the highest priority is everywhere given to the same group of products. Moreover, in a large number of cases, it is in the commodities in which pre-war production was relatively small, and for which the countries concerned tended to be most dependent on imports, that the highest rates of expansion are planned for the future.

In such conditions a certain amount of investment is liable to be wasted if the creation of new productive capacity in some European countries causes capacity to become idle in other countries as a result of a reduction in their exports. The diversification of national industrial structures is bound, moreover, to retard considerably the rate of increase in productivity. Industrial efficiency is not only a matter of the amount of capital employed per worker, but also of the extent to which advantage can be taken of the economies of standardization and of large-scale production. The latter requires not only industrial plants of large size, but also the development of industrial regions specialized in the production of particular branches of industry. In Europe, the size of the national economies is such that, in most cases, full advantage could be taken of the economies of large-scale production only through international specialization in industrial development.

In current economic planning there are few indications of the development of such international specialization. Indeed, the indications are that the current tendencies are in the opposite direction and may lead to a further disintegration of the European economy. Working within a rigid trading framework, which is of necessity highly protective, and concentrating on the objective of improving their balances of foreign payments, most European countries tend to increase the range of commodities produced at home and thus to reduce their economic dependence on their neighbours. The changes in intra-European trade in 1948, which show considerable reductions in the volume of trade in such " non-essentials " as motor vehicles, textiles and clothing, while the total volume of trade rose by 25 per cent in comparison with the previous year, are another indication of this trend. These tendencies arise almost inevitably from the problems with which the individual countries of Europe have been confronted since the end of the war. Hitherto they have largely attempted to deal with these problems from a purely national point of view, and the test of effective international co-operation will be the extent to which these tendencies can be counteracted by a conscious effort to introduce closer integration into the separate plans and policies. So far, little has been accomplished in this direction.

Appendix A

THE NATIONAL INCOME OF EUROPEAN COUNTRIES

The data on national income, industrial and agricultural production, productivity of labour, industrial structure and capital formation which are used in this SURVEY, particularly in Chapters 1 to 3, and the estimates of the productivity of labour in Chapter 9 are the results of an integrated study. The present Appendix describes in detail the original sources of the material used, and the methods by which data for different countries were adjusted to a comparable form.

The successive steps of the investigation, which are described below, were briefly as follows : First, the available estimates of the national income by industrial origin were checked against data obtained from industrial statistics and the results were expressed in United States dollars at 1938 prices. Figures for output per person employed in different countries were used as a basis for additional estimates. The net value of output in agriculture, forestry, fishing, and building and construction, expressed in 1938 United States dollars, and the value of services, estimated in relation to the value of commodity production, were added. The resulting estimates of national income were compared with population in each country and broken down by principal uses. Finally, the geographical and sectional distribution of industry was checked against available data on the output of basic commodities. The sources used in the estimates are set out at the end of the present Appendix.

1. NET NATIONAL INCOME BY INDUSTRIAL ORIGIN IN NATIONAL CURRENCY AT CURRENT PRICES

National income estimates classified by industrial origin are available for ten countries, for both pre-war and post-war years. In addition, pre-war estimates exist for two other countries. These data, grouped according to a standard classification, are shown in Table A. Notes on a few minor modifications of the original figures, together with the sources, will be found at the end of the present Appendix.

The pre-war data on income derived from industry excluding building (*i.e.*, mining, manufacturing and handicrafts, and power production) shown in Table A for twelve countries were compared and reconciled with information obtained from industrial statistics. Industrial statistics were also used to arrive at estimates for the net output of industry for three other European countries (Czechoslovakia, Rumania and the United Kingdom) and the United States of America. The aim was to obtain accurate estimates of the contribution of industry to national income in national currency, defined as the sum of incomes produced by industry, and measured as the gross value of output minus purchases of materials, etc., and depreciation. The notes at the end of the present Appendix give the sources of the original figures and the adjustments applied to them.

2. CONVERSION OF INDUSTRIAL NET OUTPUT INTO DOLLARS AT 1938 PRICES

In order to translate the estimates described in the preceding section into comparable units, the data expressed in national currency were converted into United States dollars of 1938 purchasing power. The required exchange rates were calculated by assuming that, in 1929, the dollar exchange rates of European countries, with the exception of the United Kingdom and the countries of Northern Europe, correctly expressed the purchasing power of national currencies over industrial goods.

The exception made for the United Kingdom was based on the well-known over-valuation of the pound sterling, which is estimated at about 15 per cent in contemporary writing. The currencies of the Scandinavian countries and Finland, on the other hand, were assumed to be in equilibrium with the pound and not the dollar. Allowance for movements in the prices of manufactures in European countries and in the United States then led to the purchasing power parity rates shown in Table B, where the details of the calculation and the actual 1938 exchange rates are also given.

The results of applying the parity rates to the data described in the preceding section are presented in Chapter 1, Table 16.

Table A

NET NATIONAL INCOME BY INDUSTRIAL ORIGIN

Thousand million national currency units in current prices[a]

Sector	**Bulgaria**		**Denmark**				**Finland**		**France**			**Germany**		**Hungary**		
	1939	1946	1938	1946	1947	1948	1938	1947	1938	1946	1947	1936	1947[b]	1938/39	1946/47	1947/48
1. Agriculture, etc. . .	24.0	145.1	1.24	3.27	3.46	3.76	10.6	80.6	78	605	725	9.9	6.1	1.75	3.97	5.06
2. Mining and manufacturing .	4.7	35.4	1.18	2.94	5.28	5.91	7.7	56.7	110	800	1,153	23.0	15.6	1.35	4.39	7.01
3. Handicrafts	4.4	41.0	0.61	1.55								6.0	7.8	0.42	2.06	1.36
4. Building and constr.	0.5	2.7	0.28	0.81	0.88	1.00	1.5	14.6	17			4.0	2.8	0.18		1.12
5. Transportation, etc.	2.4	14.6	0.44	1.15	1.33	1.35	2.2	13.8	26	107	200	18.4[c]	14.2[c]	0.36	0.46	0.62
6. Trade	8.5	41.6	1.36[d]	2.20	2.36	2.40	4.0	35.1	52	560	692			0.46	1.41	1.84
7. Private services[e] .	5.1	16.3	0.29	1.42	1.45	1.47	0.9	6.6	32	233	213	4.2	6.1	. .	. .	. .
8. Government services	4.7	25.5	0.40	1.29	1.29	1.30	2.2	13.5	20	180	226	6.6	. .	. .	. .	. .
9. Dwellings	1.2	5.1	0.52	0.77	0.80	0.82	1.8	—	13	– 25	– 50	4.5	3.1	0.45	0.65	0.65
10. Income from abroad	—	—	–0.05	–0.05	–0.05	0.11	—	—	8	4	– 19	—	—	–0.03	—	—
Total[f]				15.35	16.80	18.12										
Deductions. .				–2.05[g]	–2.20[g]	–2.30[g]										
Net national income at factor cost[f]	55.5	327.3	6.27	13.30	14.60	15.82	30.9	220.9	356	2,464	3,140	76.6	55.7	4.94	12.94	17.66

Sector	**Ireland**	**Italy**			**Netherlands**		**Norway**				**Poland**				**Sweden**
	1938	1938	1947	1948	1938	1948 (est.)	1938	1946	1947	1948	1938	1946	1947	1948	1938
1. Agriculture, etc. . .	41.4	37.8	1,579	1,737	0.47	1.26	0.59	1.11	1.28	1.57	7.22	3.67	3.82	4.80	1.42
2. Mining and manufacturing .	37.9	35.0	1,578	1,690	1.25	3.21	1.32	2.85	3.67	3.99	4.18	3.34	4.69	7.16	4.73
3. Handicrafts		7.0	339	343							1.21	0.77	1.13		
4. Building and constr.		h	h	h	0.26	0.80	0.25	0.74	0.80	0.79	0.90	0.48	0.57	0.77	0.87
5. Transportation, etc.	40.4	7.7	316	363	1.25	2.85	0.52	0.79	0.93	1.03	0.91	1.09	1.33	1.76	0.62
6. Trade		9.3[d]	492[d]	548[d]			0.52	1.32	1.44	1.35	3.39	2.18	2.76	3.08	1.58
7. Private services[e] .	29.1	9.0	219	225	0.52	0.62	0.55	0.83	0.84	0.84	. .	. .	. .	. .	0.60
8. Government services	14.3	12.4	325	500	0.32	1.24	0.10	0.34	0.28	0.30	. .	. .	. .	. .	0.65
9. Dwellings	1.8	10.0	481	489	0.40	0.53	0.26	0.26	0.26	0.27	. .	. .	. .	. .	0.65
10. Income from abroad	6.7	. .	. .	. .	0.40	0.16	– 0.06	– 0.02	– 0.03	– 0.04	—	—	—	—	. .
Total[f]	171.6	128.2	5,329	5,895			4.05	8.22	9.47	10.10					11.12
Deductions. .	– 20.2[i]	– 0.7[i]	– 70[i]	– 62[i]	0.03[j]	0.70[j]	–0.42[gk]	–1.23[gk]	–1.33[gk]	–1.35[gk]	–.10[i]	–.16[i]	–.17[i]		– 0.42[g]
Net national income at factor cost[f]	151.4	127.5	5,259	5,833	4.90	11.37	3.63	6.99	8.14	8.75	17.71	11.37	14.13	17.57	10.70

[a] Poland: 1938 prices; Hungary: post-war estimates in January 1947 prices; Ireland: million currency units.

[b] Four zones and Berlin.

[c] Including banking, hotels and restaurants, which amounted to 3.0 in 1936.

[d] Including banking.

[e] Including domestic services, but excluding unpaid services of housewives.

[f] Excluding items not available (. .).

[g] Depreciation and maintenance.

[h] Included in items 2 and 3.

[i] Deductions which cannot be allocated by industry.

[j] Unallocated residual (official estimate).

[k] Indirect taxes. Excluding customs duties in 1938.

Table B

PURCHASING-POWER PARITY RATES OF EXCHANGE FOR INDUSTRIAL GOODS IN 1938 [a]

Country	Price index of manufactures *(1929= 100)*	Ratio of European to United States prices *(1929 = 100)*	Exchange rate 1929 (annual average) United States cents	Exchange rate 1938 [a] United States cents	
				Parity rate	Actual rate (Annual average)
	(1)	(2)	(3)	(4) = (3) ÷ (2)	(5)
Austria [a]	93.2	107	14.1	13.2	18.6
Belgium	75	87	2.78	3.21	3.50
Bulgaria	71	82	0.72	0.88	0.89 [b]
Czechoslovakia [a]	83	96	2.96	3.08	3.48
Denmark	110.5	128	26.7 [c]	18.1	21.7
Finland	103	119	2.52 [c]	1.84	2.14
France	118	136	3.92	2.87	2.86
Germany [a]	77	89	23.8	26.7	21.2 [b]
Hungary	92.5	107	17.4	16.3	19.0 [b]
Italy	94.6	111	5.235	4.71	5.26
Netherlands	65.6	76	40.2	52.9	55.0
Norway	103	119	26.7 [c]	19.5	24.4
Poland	73.5	85	11.2	13.2	18.9
Rumania	90.7	105	0.60	0.57	0.53 [b]
Sweden	90	104	26.8 [c]	22.4	25.1
Switzerland	76	88	19.25	21.9	22.9
United Kingdom [a]	83.5	96.5	485.7 [c]	437	490

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[a] The exchange rates shown in columns (4) and (5) are appropriate for the conversion into United States dollars in 1938 prices of values expressed in national currencies in 1937 prices for Austria and Czechoslovakia, in 1936 prices for Germany, in 1935 prices for the United Kingdom and 1938 prices for all other countries.

[b] Allowing for export premium, Registermark for Germany.

[c] The 1929 exchange rates of the pound and related currencies were held to have been overvalued by 15 per cent. To arrive at the parity rate shown in column (4), they were divided by 1.15 in each case before being divided in turn by the figures shown in column (2).

3. Industrial Employment and Industrial Output per Person employed

Data on industrial employment (excluding unemployed but including employers and persons working on their own account) which are shown in Table C (together with employment in agriculture and building) were collected from censuses of population and of industry for three purposes : (*a*) to check the results obtained for the net output of industry in 1938 dollars, wherever production per person employed is known from independent sources ; (*b*) to obtain measures of production per person employed where such information is not available ; and (*c*) to obtain approximate estimates of the net output of industry, where no such data are available, on the basis of the probable level of output per person employed.

Independent estimates of physical output per head in the United States, the United Kingdom and Germany (L. Rostas, *International Comparisons of Productivity*, National Institute of Economic and Social Research, London, 1948) gave results which agreed with those calculated by use of the parity exchange rates and shown in Table 16. On the basis of figures for Sweden, also given by Rostas, it was evident that output per head in manufacturing was at approximately the same level as in the United Kingdom. The data expressed in Swedish currency were modified accordingly.

Data shown in Chapter 9, Table 121, are ratios of figures given in Table 16 and Table C.

It should be noted that, although Swedish and United Kingdom output per head in manufacturing were taken as equal, the Swedish figure for industry was enhanced by high output per head in ore-mining, and the United Kingdom figure depressed by low output per head in coal-mining. The French figure is low because of exceptionally low working-hours in 1938. The German figure for large-scale industry is unduly high because of the narrow definition adopted in the industrial census ; but the figure for all industry may be unduly low because of a possible inflation of manpower figures in handicrafts. In general, output per head in large-scale industry may not be comparable, because of the varying definitions of what constitutes " large-scale industry " in different countries, while the figures on output per head in all industry are subject to greater error owing to the uncertainty of the data on numbers engaged in handicrafts.

Total net output of industry in the remaining European countries, excluding the Soviet Union, was estimated on the basis of assumptions concerning output per head in terms of 1938 dollars. Thus it was assumed that output per head in Austria was the same as in Czechoslovakia ; in Belgium-Luxemburg it was estimated to be between the levels of France (at normal working-hours) and Germany or the Netherlands ; in Switzerland, slightly above the level of Germany, etc.

Table C

EMPLOYMENT IN AGRICULTURE AND INDUSTRY IN 1938

In millions

Country	Agriculture	Industry		Building
		Total, excluding building	Of which, handicrafts and small-scale industry	
Austria	1.3	0.9	..	0.18
Belgium	0.65	1.1	0.13	0.13
Bulgaria	1.7	0.22	0.12	0.04
Czechoslovakia	2.3	1.95	0.65	0.25
Denmark	0.54	0.36	0.14	0.08
Finland	1.14	0.38	0.15	0.05
France	7.0	5.45	0.96	0.96
Germany	8.9	11.2	2.0	1.9
Hungary	2.0	0.7	0.3	0.12
Ireland	0.61	0.15	0.02	0.06
Italy	8.6	4.02	1.32	0.74
Netherlands	0.64	0.84	..	0.23
Norway	0.39	0.25	0.07	0.07
Poland	9.0	1.8	0.8	0.09
Portugal	1.4	0.46	..	0.13
Rumania	5.4	0.82	0.45	0.1
Sweden	0.55	0.81	0.17	0.18
Switzerland	0.4	0.67	..	0.11
United Kingdom	1.3	7.88	0.70	1.3
Other European countries	17	5	..	1
TOTAL Europe (excluding U.S.S.R.)	71	45	..	8
U.S.A. [a]	9.5	12.5	..	1.9

[a] 1937.

4. NET OUTPUT OF AGRICULTURE, FORESTRY, FISHING AND BUILDING IN DOLLARS AT 1938 PRICES

The dollar value of the net output of agriculture for the average of 1934-1938 shown in Table 16 is based on a direct evaluation in terms of 1938 United States dollars, as described in last year's SURVEY, p. 193. The only modifications introduced are that an allowance for depreciation was deducted and that the estimate for Italy was slightly raised.

The estimates for fishing and forestry were also taken largely from last year's SURVEY (pp. 193 and 194), but were, in some cases, modified on the basis of the relationship between incomes from agriculture, fishing and forestry respectively, as given in national income statistics.

The pre-war net value of output by the building and construction industries was available in national income statistics for Bulgaria, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Sweden and the United States. For the United Kingdom the estimate was obtained from the same sources as net output of industry. The net value of output in building and construction was converted into 1938 dollars by the same exchange rates as the figures for industry ; however, in the case of Poland, a higher exchange rate was found to be valid for building. The combined value of output in forestry, fishing, and building and construction accounts for the difference between " Total Commodities " and " Agriculture " plus " Industry " in Table 16.

5. Net Output of Services in Dollars at 1938 Prices

The method used to measure the volume of services produced is essentially different from that applied to commodity production. It is, in fact, quite impractical to express the quantity of services in United States prices, not only because there is no unit of quantity, but also because no comprehensive data exist on prices. There is only scattered evidence to the effect that services are cheaper in terms of commodities in the less developed countries than elsewhere.

In spite of such indications, however, the only practical procedure was to base the estimates on the ratio between income derived from services and income derived from commodities, as given in national income studies. As a result, the production of services in 1938 dollars is understated in the less developed countries, and the estimates of the total national income produced are to that extent unsuitable as a measure of the welfare content of the net national product. It should also be noted that the figures obtained may move differently from estimates given in national sources. However, the estimates are more satisfactory as an indication of the allocation of resources, since the results may be interpreted as measuring the volume of commodities which the population actually gave up in exchange for the total amount of services they received.

Table D shows the percentages of the net value of commodity output which were used in the calculation of the allowance for services in each European country. These percentages were obtained from the basic data shown in Table A, after application of two kinds of adjustment. In the first place, some missing items were estimated. Secondly, a few obvious errors in the original estimates were corrected.

The missing items were generally estimated on the basis of relationships in similar countries. For instance, private services in Poland were taken as contributing the same proportion to national income as in Bulgaria.

The errors all related to incomes from services (items 5-10). It appeared indeed that, when expressed as a percentage of aggregate income from commodities (items 1-4), each item included in that group had a tendency to be concentrated for the countries considered within a certain range, with a few conspicuous exceptions. It thus became clear that there must have been serious under-estimates of income from private services in Finland, Italy and Sweden, and of income from trade in Hungary and Italy. In all these cases, the value of private services was raised to 15-20 per cent of aggregate income from commodities, and income from trade to 25 per cent. Where no national income data are given in Table A, the percentages shown in Table D are estimates based on the well-known tendency for the proportion of income derived from services to be positively correlated with the level of real income.

Table D

INCOME DERIVED FROM SERVICES AS A PERCENTAGE OF INCOME DERIVED FROM PRODUCTION OF COMMODITIES

Country	1938	1947	1948
Austria	79	79	79
Belgium-Luxemburg	88	80	80
Bulgaria	63.2	49	49
Czechoslovakia	79	70	70
Denmark	90.5	74.5	71
Finland	66.4	55.5	56
France	73.7	67.2	67
Germany	78.6	78.6	78.6
Greece	65	65	65
Hungary	76.3	67	65
Ireland	116.8	117	117
Italy	80.1	80	80
Netherlands	146.0	102	102
Norway	91.2	75	71
Poland	67.6	60	60
Portugal	70	70	70
Rumania	64	50	50
Spain	64	64	64
Sweden	80.6	75	75
Switzerland	98	90	90
Turkey	64	64	64
United Kingdom	107.4	100	100
Yugoslavia	64	50	50

An examination of Table D shows that there was a general fall in the proportion of incomes derived from services, etc., since before the war. This was due to a number of factors, such as full employment (which increased the output of commodities in a greater proportion than that of services), rent control, the fall in foreign incomes and the fall in incomes from ocean shipping. Particularly as a result of rent control, these reductions may be unrelated to any actual change, and the estimates shown above in Table D therefore misrepresent to some extent the true variations in real income from one year to another. In the Netherlands the relative fall in service incomes was particularly heavy, and it may be due, apart from rent control and a great fall in income from shipping and other income from abroad, to changes in price relations and, perhaps, to inconsistencies in the estimates referring to the two post-war years.

6. NATIONAL INCOME AND POPULATION

Table E shows the combined results of the various estimates described in the foregoing sections, together with data on the population of European countries.

The population and national income figures refer to the actual territory of each country excluding the Soviet Union and, for 1938, the Baltic States, but including Turkey.

The population figures are based on official estimates adjusted, where necessary, to include members of the armed forces and seamen abroad, but excluding displaced persons in Germany and prisoners of war not yet repatriated. " Other countries " in South and South-Eastern Europe include the following :

	Mid-year population (millions)		
	1938	1947	1948
Portugal	7.5	8.3	8.4
Rumania	19.8	15.8	16.0
Spain	25.3	26.9	27.2
Turkey	17.0	19.2	19.4
Yugoslavia	15.2	15.6	15.8

The population of Europe, excluding the Soviet Union, was 408 millions in 1938 and, on a smaller territory, 401 millions in 1947 ; it increased by 5 millions between 1947 and 1948. Compared with pre-war, there was a small increase in all areas, except in Central Europe, where Czechoslovakia, Poland and Germany, apart from war casualties, lost part of their population owing to territorial changes and population transfers.

The estimates of the national income are drawn up from the production side. Hence the figures do not allow for changes in the terms of trade—*i.e.* variations in the volume of imports received for a given volume of output exported are not accounted for. On the other hand, changes in income from abroad are taken into consideration.

It should also be remembered that measurement in United States dollars at 1938 prices disregards the changes which have occurred in the relation of agricultural to industrial prices. Consequently, the relative magnitude of the national income in different countries is affected (as it would be by the use of any other fixed price system), since the proportion of income derived from agriculture differs widely between countries and has itself in most cases undergone considerable variations since the war.

The most conspicuous change between 1938 and 1948 brought out in Table E was the halving of the income per head in Germany. In the rest of Europe there was a slight rise, which may have been largely offset by a deterioration in Europe's terms of trade. There was a small increase in income per head in North-Western Europe and a small decrease in Western and Southern and South-Eastern Europe, which together increased the pre-war differences between countries. The rise in incomes in Central and North-Eastern Europe was largely due to the peculiar circumstances of Czechoslovakia and Poland. As a result of territorial and population changes, the urban population of these countries remained the same or increased, whilst the rural population greatly decreased ; consequently (since urban incomes were much higher than rural incomes) average income rose.

7. THE ALLOCATION OF THE NATIONAL INCOME

Table 32, Chapter 3, shows for the ten countries for which the calculation was possible the shares of total national income devoted to consumption and capital formation. Since the concept of income, and particularly the account taken of income derived from sources other than the production of commodities, varies substantially in the various countries, the original data had to be adjusted to a common definition in order to make the comparison of allocation significant. In addition to expressing all estimates at factor cost, with the assumption that all indirect taxes (but not employers' contributions to social insurance) and subsidies fall on consumption,[1] corrections had to be applied to data for particular countries as listed in the notes at the end of this Appendix.

8. THE GEOGRAPHICAL AND SECTIONAL DISTRIBUTION OF INDUSTRY

To supplement and check the data on industrial net output expressed in dollars presented in Table 16, estimates were made for each country and for several years of : (*a*) total energy consumption, (*b*) iron and steel making, (*c*) consumption of finished steel, and (*d*) production of basic textiles.

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[1] Except in the United Kingdom where estimates at factor cost are officially computed.

Table E

NATIONAL INCOME AND POPULATION 1938, 1947 AND 1948

Country	Population (Millions)			National Income (Millions of dollars in 1938 prices)			Income per Head (Dollars in 1938 prices)		
	1938	1947	1948	1938	1947	1948	1938	1947	1948
North-western Europe :									
Denmark	3.8	4.1	4.2	1,200	1,130	1,290	316	276	307
Ireland	2.9	3.0	3.0	730	740	860	252	247	287
Norway	2.9	3.1	3.2	740	770	810	255	248	253
Sweden	6.3	6.8	6.9	2,310	2,810	2,850	367	413	413
United Kingdom	47.7	49.6	50.0	18,020	17,990	20,040	378	363	401
Total North-western Europe	*63.6*	*66.6*	*67.3*	*23,000*	*23,440*	*25,850*	*362*	*352*	*384*
Western Europe :									
Belgium-Luxemburg	8.7	8.7	8.8	2,390	2,220	2,450	275	255	278
France	41.7	41.3	41.8	9,860	8,560	9,550	236	207	228
Netherlands	8.7	9.6	9.8	2,810	2,100	2,450	323	219	250
Switzerland	4.2	4.5	4.6	1,540	2,030	2,030	367	451	441
Total Western Europe	*63.3*	*64.1*	*65.0*	*16,600*	*14,910*	*16,480*	*262*	*233*	*254*
Central and North-eastern Europe :									
Austria	6.8	6.9	7.0	1,220	660	910	179	96	130
Czechoslovakia	15.3	12.2	12.3	2,690	2,010	2,400	176	165	195
Finland	3.7	3.9	4.0	660	590	690	178	151	173
Hungary	9.1	9.1	9.2	1,020	750	890	112	82	98
Poland	34.7	23.5	24.0	3,600	2,670	3,390	104	114	141
Total Central and North-eastern Europe	*69.6*	*55.6*	*56.5*	*9,190*	*6,680*	*8,280*	*132*	*120*	*147*
South and South-eastern Europe :									
Bulgaria	6.3	7.0	7.1	430	360	470	68	51	66
Greece	7.1	7.7	7.8	570	450	480	80	58	62
Italy	43.7	45.5	46.0	5,560	4,530	4,840	127	100	105
Other European countries	86.2	87.6	88.6	6,230	6,090	6,500	72	70	73
Total South and South-eastern Europe	*143.3*	*147.8*	*149.5*	*12,790*	*11,430*	*12,290*	*89*	*77*	*82*
Total Europe (excluding U.S.S.R. and Germany)	339.8	334.1	338.3	61,580	56,460	62,900	181	169	186
Germany	68.6	66.8	67.7	23,140	8,330	10,840	337	125	160
Total Europe (excluding U.S.S.R.)	408.4	400.9	406.0	84,720	64,790	73,740	207	162	182
United States	128.8	144.0	146.6	29,030	46,490	47,740	521	665	683

Note. — The pre-war data refer to 1937 in the case of Austria, Czechoslovakia and the United States but are expressed in 1938 prices.

Energy consumption was estimated by converting the different forms of fuel, excluding duplication, into coal by the following coefficients, which were based on calorific values :

Fuel		Equivalent quantities of fuel per ton of coal
Brown coal and lignite :	Austria	2 tons
	Czechoslovakia . .	1.7 »
	Germany	4.5 »
	Italy, Picea	1.5 »
	,, Xiloide . . .	3 »
	Other countries . .	3 »
Mineral oils and products		⅔ »
Hydro-electricity		1,590 kWh
Fuelwood		6 cu.m.

In iron and steel making, the production of pig-iron, crude steel and finished steel was included. The production of finished steel was represented by crude steel consumption. No allowance was made for differences of quality—that is, ferro-alloys were not distinguished from pig-iron, nor special steel from other steel, and no distinction was made between different kinds of finished steel.

To combine the three series, weights were derived from the United Kingdom Census of Production of 1935, in proportion to the estimated net value added in the case of these products. The results were as follows :

Production of :	Value added per ton in pounds sterling at 1935 prices
Pig-iron	0.6
Crude-steel	1.6
Finished steel	3.4 [a]

[a] Per ton of equivalent crude steel.

The consumption of finished steel was estimated in terms of equivalent crude steel, including finished steel embodied in exported engineering products, but excluding finished steel in imported engineering products.

Textile production was represented by the production of cotton, wool and rayon textiles. Other fibres were not taken into account ; this might affect inter-country comparison where, as in Italy, silk textiles are produced on a large scale. Both spinning and weaving activities were represented, but of further processes only knitting and finishing were taken into account ; spinning was represented by yarn production and weaving by yarn consumption. No account was taken of differences in quality, which may be important in the case of wool.

The weights were derived as in the case of iron and steel, and were the following :

Production of :	Value added per ton in pounds sterling at 1935 prices
Cotton yarn	40
Cotton cloth (yarn consumed)	76
Wool yarn	97
Wool cloth (yarn consumed)	185
Rayon filament yarn	149
Rayon products (yarn consumed)	297
Rayon staple fibre	74
Rayon staple fibre products (fibre consumed) . .	149

These weights are subject to error and may not be suitable, particularly in the case of rayon, the price of which in relation to other fibres was widely different in different countries, and has changed rapidly in the course of time.

The dollar value of the pre-war net output of industry was distributed between different industrial groups on the basis of industrial censuses. The metals and engineering, textiles and chemicals groups were studied in particular detail. The exchange rates given in Table B were raised by 15 per cent for light industries and lowered by 15 per cent for heavy industry in the United Kingdom, France and Italy. This adjustment is substantiated in the case of the United Kingdom by productivity comparisons with the United States and Germany. For some countries which had no industrial censuses, employment figures were taken into account to distribute the dollar value of industrial output between industries.

Table F shows the resulting distribution of the European metals and engineering industry in comparison with an index based on quantities ; the latter is a combination of the index for iron and steel making and finished steel consumption (the value figures used to combine these data include non-ferrous metals also). The distribution of textiles in terms of dollar values is similarly compared with the output of basic textiles. In the light of the numerous qualifications, some of which have been mentioned, these comparisons are not unsatisfactory and thus afford a check on the whole set of estimates and, in particular, on the purchasing-power parity rates of exchange presented in Table B. No physical index was available to check the estimates in the case of the chemicals industry.

Table F

THE GEOGRAPHICAL DISTRIBUTION OF CERTAIN INDUSTRIES IN 1938, ESTIMATED (I) FROM NATIONAL INCOME DATA AND (II) BY DIRECT PHYSICAL MEASUREMENT

1938 total European production [a] *= 100*

Country	Metals and engineering		Textiles		Chemicals
	I	II	I	II	I
Austria	1.2	1.3	1.4	1.0	1.5
Belgium-Luxemburg	2.5	2.9	3.4	3.0	3.1
Bulgaria	—	0.2	0.3	0.3	0.1
Czechoslovakia	2.5	3.2	3.5	3.5	3.8
Denmark	0.8	0.8	0.5	0.3	1.0
Finland	0.3	0.5	0.3	0.4	1.0
France	9.7	10.6	13.0	13.5	10.1
Germany	40.5	42.1	28.0	27.5	39.5
Hungary	0.6	1.1	1.0	1.2	0.9
Ireland	0.2	0.2	0.2	0.2	0.4
Italy	5.3	5.1	10.2	8.4	6.4
Netherlands	2.3	2.1	1.6	2.2	1.3
Norway	0.6	0.4	0.3	0.4	1.2
Poland	2.0	2.5	2.5	3.9	3.4
Rumania	0.3	0.6	0.7	1.0	1.4
Sweden	2.9	2.5	1.7	1.8	3.7
United Kingdom	22.2	20.6	22.9	24.1	15.3
Other European countries	6.1	3.3	8.5	7.3	5.9
TOTAL Europe	100.0	100.0	100.0	100.0	100.0
U.S.S.R.	..	32.5	..	23.6	..
U.S.A. [b]	86	81	49	55	51

[a] Excluding the U.S.S.R.

[b] 1937.

9. SOURCES AND NOTES

I. NATIONAL INCOME BY INDUSTRIAL ORIGIN

Bulgaria : " Données générales sur le revenu national de la Bulgarie pour la période 1939-1946 ", *Bulletin mensuel de la Direction générale de la Statistique*, XXXIVth Year, No. 2-3, February and March 1947, pp. 57-67. The total shown excludes interest on savings.

Denmark : 1938 : " Nationalproduktet og Nationalindkomsten, 1930-1946 ", *Statistiske Meddelelser*, 4. Raekke, 129. Bind, 5. Haefte, København, 1948. 1946-1948 : *Statistiske Efterretninger*, Statistiske Department, 41st Year, No. 1, 11 January 1949. *The National Budget for 1948* (revised as on 1 October 1948) (mimeographed). Peat industry is included in item 2.

Finland : *Oversikt av det Ekonomiska Läget,* Hösten, 1948. Finansministeriets avdelning för folkushållningen Helsingfors, 1948.

France : R. Froment et P. Gavanier : " Revenu national et comptabilité économique " and " Le Revenu national français," *Revue d'Economie politique,* 58th Year, Nos. 5 and 6, September-October and November-December, 1948, pp. 727-743 and pp. 905-930 respectively. Supplemented by data in *Perspectives des Ressources et des Besoins de l'Economie française au cours du premier semestre de l'année 1948,* Commissariat général du Plan de modernisation et d'équipement, Paris, December 1947.

Germany : Ferdinand Grünig : "Volkswirtschaftliche Bilanzen, 1936 und 1947", *Vierteljahrshefte zur Wirtschaftsforschung,* 1948, Erstes Heft. Excess depreciation in 1947 was distributed among items on the basis of data on p. 38, *ibid.*

Hungary : 1938/1939 : Gy. Hajpál : " Magyarország nemzeti jövedelme " (" The National Income of Hungary "), *A magyar gazdaságkutató intézet közleményei* (Hungarian Institute for Economic Research), 4. füzet. 31 March 1947. Miscellaneous private services (not complete) omitted. Post-war : *Jelentés a hároméves terv elsö évéröl* (Report on the first year of the Three-year Plan), 1 August 1947 to 31 July 1948, Budapest. Dwellings estimated.

Ireland : *National Income and Expenditure 1938-1944.* Dublin, March 1946 (P. No. 7356). Remittances from abroad omitted.

Italy : 1938 and post-war : *Italy, Country Study,* Economic Co-operation Administration, Washington, D.C., 1949, Table I and Appendix D. Government services are measured by the amount of government wages and salaries paid. Figures for central government are from Treasury accounts ; figures for local authorities are estimates.

Netherlands : 1938 : *Het Nationale Inkomen van Nederland 1921-1929,* Centraal Bureau voor de Statistiek, No. 7 der monografieën van de Nederlandse conjunctuur, Utrecht, 1948. 1948 : National Budget for 1949. Details unofficial.

Norway : *Nasjonalbudsjettet 1948,* Stortingsmelding No. 1 (1948), Handelsdepartementet, Do. 1949. *Nasjonalinntekten i Norge 1935-1943* (Le revenu national en Norvège 1935-1943), Statistisk Sentralbyrå, Norges offisielle Statistikk X 102, Oslo 1946. P. Thoen and G. L. Winsnes : " Nasjonaløkonomisk gruppering av 'budsjettregnskapene' 1929/1930-1939/1940, samt 1945/1946 og 1946/1947", *Statistiske Meddelelser,* 67th Year, No. 1-2, 1949, pp. 21-47.

Poland : 1938-1947 : Unpublished estimates of the Polish Institute of Economic Research. Indirect taxes on industry were excluded and a duplication in the estimate of the output of the building industry was eliminated. 1947 and 1948 : Estimates by Central Planning Office adjusted to give continuous series.

Sweden : *P.M. med vissa beräkningar angående nationalinkomstens storlek,* Kungl. Maj:ts proposition nr 1 till Riksdagen angående statsverkets tillstånd och behov under budgetåret 1941/1942, Bilaga B, Table 1. The value of timber used by industry was not deducted from the net output of industry.

II. Net Output of Industry in National Currency at Current Prices

Bulgaria : 1938 : *Annuaire statistique du Royaume de Bulgarie, 1940,* Direction générale de la Statistique, XXXII^{e} Année, Section VIII, part B, table 3, pp. 394-411 (col. 22, *less* cols. 16-21, *plus* col. 23). Total value of production *less* materials, fuels, purchased electricity and payments for sub-contracted work, *plus* value of work performed for other factories ; 16 per cent deducted for depreciation and other miscellaneous costs. Output of mining and manufacturing reconciled with national income estimates ; output of handicrafts given by latter.

Czechoslovakia : 1937 : Net output in industry in 1947 estimated from *Industrial Reports,* State Statistical Office, Vol. III, No. 7-8, Series A, No. 1-2, 1948. Value of sales, *less* value of materials, etc., *less* an estimate for indirect taxes and depreciation. This was carried back to 1937, considering movements of the national income between 1937 and 1947 and its various components. An estimate for handicrafts was added on the basis of information on incomes from handicrafts in the Five-year Plan, 1949-1953.

Denmark : 1938 : Estimated from gross output. " Produktionsstatistik, 1938 " (*Statistiske Meddelelser,* 4. Raekke, 109. Bind, 4. Haefte, 1939), Table I, col. 1, pp. 10-13. To estimate net output in 1938, the ratio of net to gross output in 1939 has been used. This has been calculated from figures given in " Produktionsstatistik, 1939 " (*Statistiske Meddelelser,* 4. Raekke, 112. Bind, 1. Haefte, 1940), Table I, pp. 10-13, cols. 4 and 10. About 10 per cent deducted for depreciation to reconcile with national income estimate ; handicrafts given in latter publication.

Finland : 1938 : *Teollisuustilasto, Vuonna,* 1938 *(Statistique des industries de Finlande, 1938)*, Suomen Virallinen Tilasto, 1940, Table 2, pp. 24-37. Net output is " gross value " *less* " total value of raw materials " *plus* percentage increase for fuel, etc., taken from Danish statistics in *Produktionsstatistik, 1939* (see above), pp. 10-13, col. 9 divided by col. 5. About 16 per cent has been allowed for depreciation and other corrections to reconcile the results with national income estimates. The latter were taken from V. Lindberg, " Suomen Kansantulo Vuosina 1926-1938," Helsinki, 1943 (" The National Income of Finland 1926-1938 "), who gives a somewhat smaller figure than the one noted above. This estimate shows industry and handicrafts together, and it was assumed that incomes from handicrafts came to 60 per cent of their value of sales.

France : 1938 : *Estimation du Revenu national français,* Commissariat général du Plan de modernisation et d'équipement, Paris, 1947. Small-scale industry and handicrafts not given separately.

Germany : 1936 : Figures for large-scale industry from *Die Deutsche Industrie,* Schriftenreihe des Reichsamts für Wehrwirtschaftliche Planung, Heft 1, Berlin, 1939, pp. 44-55, col. 7. About 19 per cent deducted for depreciation and other costs to reconcile the results with national income estimates ; the latter also give income from handicrafts. The coverage of the industrial census in Germany, however, is narrower than, for instance, in the United Kingdom. Hence, for purposes of industry-by-industry comparisons, part of " handicrafts " has been reckoned as " manufacturing industry." The adjustments were based on a comparison of employment figures in the census of industry and in *Statistisches Jahrbuch für das Deutsche Reich, 1938,* Statistisches Reichsamt, 57. Jahrgang, Part 5A, Table 4, p. 156, which has a wider coverage.

Hungary : 1938 : *Annuaire statistique hongrois, 1938,* Office central royal hongrois de Statistique, Vol. XLVI, Budapest, 1940, p. 137, col. 3. Tobacco monopoly profits deducted ; 16 per cent for depreciation, etc. Total reconciled with national income total (note that figure quoted in Table A is for 1938/39, and estimate for 1938 is lower). Handicrafts (excluding building) given in national income estimates.

Ireland : 1938 : *Census of Industrial Production, 1936,* Department of Industry and Commerce, Dublin, 1938 (P. No. 3143), adjusted to 1938 and reconciled with national income estimates. The latter give industry including handicrafts and building. The break-down between industry, handicrafts and building has been estimated.

Italy : 1938 : *Compendio statistico italiano, 1947/48,* Istituto Centrale di Statistica, Serie II, Vol. II, Table 143, p. 148 (service industries excluded). The results of the 1937-1939 census of production, which are given adjusted to 1938, were reconciled with national income estimates by deducting 10 per cent for depreciation. The latter give building included in industry and handicrafts ; building was separated on the basis of the census of production. Industry and handicrafts available separately for the total but not for individual industries.

Netherlands : 1938 : Unpublished provisional estimate. Handicrafts cannot be separated. Total agrees with national income estimates.

Norway : 1938 : *Norges Industry, Produksjonsstatistikk, 1938,* Norges offisielle statistikk IX, 1938, Oslo 1940, Table I, pp. 37-39. Estimate for indirect taxes and other costs deducted. About 15 per cent deducted for depreciation, etc. Results reconciled with national income estimates ; handicrafts estimated from value added, which was available.

Poland : 1938 : Value added from industrial census. *Statistique industrielle, Production et Emploi dans les établissements de I-VII catégories.* Statistique de la Pologne, série C, fascicule 97, Varsovie, 1938. This was adjusted for 1938 and a deduction made for depreciation. The estimate was reconciled with national income estimates, which include small-scale industry in " industry " and give handicrafts separately.

Rumania : 1938 : *Anuarul Statistic al României 1939 si 1940,* Institutual Central de statistica, pp. 478-493, col. 11, *less* cols. 9 and 10. Incomes in mining and oil were taken as 60 per cent of gross output ; net output of electricity also estimated. Depreciation taken at 16 per cent, as in Hungary, and deducted. Handicrafts estimated on the basis of numbers engaged, assuming that income per head in handicrafts was 40 per cent of income per head in industry.

Sweden : 1938 : Gross output given in *Industri, berättelse för år 1938, av Kommerskollegium,* Sveriges officiella Statistik, Stockholm, 1940, Table 1, col. 7, pp. 50-54. From this, net output was estimated on the basis of ratios of net to gross output in other countries. Somewhat over 10 per cent was deducted for depreciation. This estimate was reconciled with national income estimates, assuming that, in handicrafts and small-scale industry, incomes come to 60 per cent of gross output. (Later research, however, revealed that these results seriously overestimated industrial incomes, and a large deduction was necessary to arrive at the estimates shown.)

United Kingdom : 1935 : *Final Report on the Fifth Census of Production and the Import Duties Act Inquiry, 1935,* Board of Trade, Statistics Department. Thirteen per cent deducted for depreciation, etc. Small-scale industry estimated by A. L. Bowley, *Studies in the National Income, 1924-1938,* Cambridge, 1944, Chapter III.

United States : 1937 : *Biennial Census of Manufactures, 1937,* United States Department of Commerce, Bureau of Census, Part I, Table 4, pp. 22-23. Adjusted to incomes originating by industrial source, given in the Supplement to Survey of Current Business, *National Income,* July 1947.

III. THE ALLOCATION OF THE NATIONAL INCOME

Czechoslovakia : " Národní důchod a národni výdjdaj CSR v letech 1946 a 1947 " (" National income and expenditure in Czechoslovakia, 1946 and 1947 ") published in *Výklad k rozpoctu na rok 1948,* Knihovna ministerstva financí RCS, Praha, 1947, pp. 143-165. Gross investment for 1947 was increased by 3,000 million Kčs to take account of unplanned building. Depreciation for post-war years was obtained from the estimate of 8,900 million Kčs for 1937 by taking into account the rise in prices since the war, but ignoring the increase in the stock of capital. Gross investment in 1946 is based on unpublished official figures. Gross investment in 1947 is based on the official statement published in *Prubeh Plneni Hospodarskeho Planu, Rok 1947,* p. 301. Gross investment for 1948 is a provisional estimate based on plan fulfilment percentages. The balance of payments is based on actual movements of goods and not on cash payments for exports and imports. The allocation of income for 1948 is a provisional estimate and consumption is treated as a residual item. The item " Release of Blocked Balances " in the Czechoslovak national income estimates have not been taken into account. The change in stocks is included in consumption.

Denmark : Additional information in *Statistik Aarbog, 1948,* Statistiske Departement, København, 1948. Depreciation and maintenance adjusted so as to eliminate post-war excess maintenance of buildings, which is now included in net investment.

France : Expenditure on armaments included in Government expenditure, and not in capital formation. Depreciation and maintenance is based on requirements to maintain capital intact rather than actual maintenance.

Hungary : Consumption obtained as residual item.

Netherlands : *National Budget for 1949,* Chapter E. Depreciation allowances were adjusted in accordance with year-to-year changes in capital.

Poland : Unpublished estimates. Consumption obtained as residual item.

Sweden : " Oversikt över det ekonomiska läget 1946-1949 ", *Meddelanden från Konjunkturinstitutet,* Serie B: g, Stockholm 1949. Depreciation estimated.

United Kingdom : *National Income and Expenditure of the United Kingdom, 1947,* London, April 1948 (Cmd. 7371). *Economic Survey for 1949,* London, March 1949 (Cmd. 7647). The balance of payments was corrected by taking actual exports and imports, and not cash payments, and by not treating investment in overseas oil as domestic investment. This correction is based on notes in the publications quoted ; there are corresponding adjustments in capital formation. Depreciation adjusted to take account of changes in prices. This affects mainly the depreciation of local government property. A rough correction for the valuation of stocks was also made.

Appendix B

NOTES ON SOURCES AND METHODS

I. INDEX NUMBERS OF INDUSTRIAL PRODUCTION (TABLES 1, 5, 6, 9 AND 10)

1. GÉNÉRAL

The general index numbers of industrial production shown in Table 1 cover manufacturing, public utilities and mining, but exclude building. They have been derived from the official and semi-official sources listed below. The index numbers for the individual industries shown in the remaining tables have, in general, been derived from the same sources. In certain instances, it has been necessary to rely on other material, and the special sources and methods used in these cases are given below in the notes referring to each table. Separate notes are presented on the Union of Soviet Socialist Republics (see Section XIV below).

All annual index numbers, except those for Austria and Czechoslovakia, are shown on a 1938 base. Where the original index numbers have a pre-war base other than 1938, they have been shifted to that year by means of available pre-war indices, as mentioned in the notes below. The quarterly index numbers for post-war years are based on the average of 1947.

For methods and estimates used to arrive at the weighting system for the combined indices for Europe, see notes in a later section.

Where pre-war and post-war territories are different, the index numbers given relate post-war production on post-war territory to pre-war production on pre-war territory. This method necessitated some adjustments in the weights as stated below.

Since the publication of last year's SURVEY, some countries (e.g. Denmark, Germany and Italy) have published revised series, and in all cases revisions have been incorporated in this SURVEY up to 1 March 1949.

2. SOURCES OF GENERAL INDEX NUMBERS (TABLE 1)

Austria : *Monthly Bulletin of Statistics*, United Nations.
The original base (1937) of the general index calculated by the Österreichisches Statistisches Zentralamt has been maintained. The figures for 1946 and 1947 have been estimated by linking the index of the Österreichisches Institut für Wirtschaftsforschung to that of the Zentralamt.

Belgium : *Bulletin de l'Institut de Recherches économiques et sociales*, Université catholique de Louvain.
Original base 1936-1938.

Bulgaria : *Bulletin mensuel de la Direction générale de la Statistique.*
Original base 1939.

Czechoslovakia : *Statistický Zpravodaj.*
The original base (1937) has been maintained.

Denmark : *Statistiske Efterretninger.*
Original base 1935. Revisions have been estimated for 1946, on the basis of the official 1947 revisions.

France : *Bulletin de la Statistique générale de la France.*

Germany : U.K./U.S. Zone : *Monthly Statistical Bulletin of the Control Commission for Germany (British Element).*
Original base 1936. Since no figure is given for 1938, the pre-war index of the Institut für Konjunkturforschung, which relates to Germany as a whole, has been used to shift the base year. Estimates for post-war periods preceding August 1947 were obtained from a previous provisional index.

Greece : *Monthly Indicator of Industrial Production in Greece*, Federation of Greek Industries, Athens.
Original base 1939.

Ireland : *Irish Trade Journal and Statistical Bulletin.*
Original base 1936.

Italy : *Notiziario Istat*, Serie B, Istituto Centrale di Statistica.
Original base 1947, shifted to 1938 by means of provisional data given in Notiziario, May 1948. The indices for 1946 have been estimated by linking this series to that of the Confederazione Generale dell' Industria Italiana.

Netherlands : *Statistisch Bulletin van het Centraal Bureau voor de Statistiek.*

Norway : *Statistiske Meddelelser.*
The original index is slightly too high, because the index for the metals industry is based on man-hours worked uncorrected for lower productivity. Revised figures have partly been supplied by the Statistisk Sentralbyrå, and have partly been estimated.

Poland : *Statistical Tables of the Polish Institute for Economic Research.*

Sweden : *Kommersiella Meddelanden.*
Original base 1935. The index shown is that calculated by linking the monthly index of the Industriförbundet to the annual index of the Kommerskollegium.

United Kingdom : *Monthly Digest of Statistics.*
Original base 1946. The index has been shifted to base 1938 by use of the pre-war links (after the exclusion of building) given in the August 1948 issue.

In addition to the indices quoted in the foregoing list, use has been made, in arriving at the data given for Finland and Hungary on output per man in industry shown in Table 4, of the following sources :

Finland : *Översikt av det Economiska Läget Hösten 1948.*
Production index numbers (1938 = 100) of 100, 120 and 144, relating to the years 1946, 1947 and 1948 respectively, have been derived from the table shown on page 6.

Hungary : The index number of production for 1946 and 1947 (1938 = 100) has been taken from *Magyar Statisztikai Szemle*, January 1948, p. 19. For 1948, the level of production has been estimated from data on the value of output in current prices shown in *Gazdaságstatisztikai Tájékoztató*, February 1949, p. 68.

3. Sources of Index Numbers for Particular Industries

The sources are the same as those for the general indices, except as noted in the present section. The adjustment to the 1938 base has been made by pre-war indices available in the same sources. For the United Kingdom, where a pre-war link is given for the general index alone, the indices for the various industries were linked to 1938 by use of calculations made by the London and Cambridge Economic Service.

Metals and Engineering (Table 5)

The index numbers cover metal production as well as metal-working, including iron and steel (but generally excluding non-ferrous metal-making), mechanical and electrical engineering, vehicles and shipbuilding. Where no single index for this group of industries is available, the indices are generally combinations of two or more series, weighted by the coefficients shown.

Belgium : Ferrous metallurgy (33.3) and metal fabrication (66.7). The latter index is taken from the *Agence économique et financière*, Brussels.

Bulgaria : Metals industry.

Czechoslovakia : Metallurgy (25.3) and iron and metals (74.7).

Denmark : Iron and metal industry.

France : Production of metals (10.2) and metal-working (89.8).

Germany : U.K./U.S. Zone : Iron and steel production (21.6), iron and steel construction (7.2), machinery and optical goods (24.6), vehicles (8.9), electrical equipment (9.4), and other metal goods (28.3).

Ireland : Metals (38.1), engineering and implements (24.9), and assembly, construction and repair of vehicles (37.0).

Italy : Iron and steel (15) and vehicles (85).

Netherlands : Metals industry.

Norway : Iron and metals industry. The index for this industry is based on man-hours worked. In order to allow for the lower post-war productivity, 15% (an official estimate) has been deducted from the published index numbers.

Poland : Iron and steel (40.0), engineering (54.3) and electro-technical industry (5.7).

Sweden : Iron and steel (33.3) and machine industry (66.7).

United Kingdom : Metals, engineering and vehicles.

Chemicals (Table 6)

The indices shown are those described as covering " chemicals " in the original sources, although the definition of the industry varies between countries. But it has not been possible to make adjustments for these differences.

Building Materials (Table 9)

Germany : U.K./U.S. Zone : For months preceding August 1947 the series for building materials of the provisional index was used. The currently published index of " stones and earths " in effect covers the same field.

Ireland : Bricks, pottery, glass, and cement (46.8) and timber (53.2).

Italy : *Notiziario della Confederazione generale dell'Industria Italiana,* Roma.

United Kingdom : The index used for adjustment to the 1938 base covers building as well as building materials, but the available evidence suggests that the inclusion of building does not affect the results.

Textiles (Table 10)

The index numbers shown are those described as covering "textiles" in the original sources, although the definition of the industry varies between countries. In Sweden, the index includes ready-made clothing, and in other cases it does not cover hosiery or the working of minor materials, such as linen and jute. For Ireland, the index is combined from three series, i.e., " linen, cotton, jute and canvas " (30), " woollen and worsted " (29), and " hosiery " (41).

4. COMBINED " EUROPEAN " INDEX NUMBERS

In order to show the general tendency of output in European countries, weighted averages (both including and excluding Germany) are given in each of the production index tables (Nos. 1, 5, 6, 9, 10). Although these averages do not comprise all the countries of Europe (excluding the U.S.S.R.), they would be affected only moderately by the inclusion of the countries omitted. Among those which had to be left out of consideration for lack of index numbers, the most important industrial area is that of the Soviet Zone of Occupation in Germany, and Berlin. Table H, which shows the weighting systems used in calculating the weighted averages, also indicates the proportion of total European pre-war output covered in each case.

Table G

WEIGHTS USED TO COMBINE NATIONAL INDEX NUMBERS OF PRODUCTION

Country	All industries	Metals and engineering	Textiles	Chemicals	Building materials
Austria	1.7		1.3		2.3
Belgium-Luxemburg	3.6	3.6	3.8	4.1	8.4
Bulgaria	0.2	0.2	0.4	0.1	
Czechoslovakia	3.9	4.0	4.4	5.1	4.3
Denmark	1.4	0.9	0.4	1.3	1.8
Finland					1.1
France	14.0	12.5	16.9	13.4	8.9
Germany : Western zones	23.6	36.9	19.1	36.2	29.7
Ceded territory	2.1	2.1	1.6	2.4	
Greece	0.9				0.8
Ireland	0.5	0.3	0.3	0.6	0.2
Italy	8.0	5.7	12.4	8.5	8.2
Netherlands	3.0	2.4	2.8	1.8	2.7
Norway	1.0	0.4	0.4	1.6	
Poland	3.1	2.9	3.8	4.5	
Rumania					1.8
Sweden	3.4	3.1	2.3		2.3
United Kingdom	29.6	25.0	30.1	20.4	27.5
TOTAL of above countries	100	100	100	100	100
Percentage of total European production covered by the sample	*80*	*80*	*70*	*75*	*80–85*

The weights used for total industrial production and for chemicals are proportionate to net output in 1938, measured in U.S. dollars at 1938 prices. Those used for textiles, and metals and engineering are proportionate to physical output. The methods of estimation are explained in Appendix A, sections 1, 2 and 8, except for building materials output. Small differences between Table H and data shown or referred to in Appendix A are due to rounding and to minor corrections intended to take account of quality differences.

The weights for building materials were obtained by evaluating the 1938 output of bricks and cement in each country (1937 for Austria and Czechoslovakia) at 1938 United States wholesale prices.

In order to weight the quarterly data in Tables 1, 5, 6 and 10, which are based on 1947 = 100, the 1938 weights were carried forward to that year by the annual indices for each country.

As already mentioned, the national index numbers in all the tables on production relate to post-war output in the post-war territory and to pre-war output in the pre-war territory. If it is granted that pre-war industrial production in the areas since ceded to the Soviet Union was negligible (apart from output in the Baltic States, which are entirely omitted from the pre-war coverage), indices for Europe (excluding the U.S.S.R.) should lead to the same result, whether the " constant territory " or " changing territory " method is used in establishing the national index numbers. There should be no difference in the European totals if the appropriate adjustments in the weighting system are made, and provided the indices are available for all countries. However, the coverage is not complete. In particular, Eastern Germany is not included. Hence, the Polish index, which is originally computed by the " changing territory " method and is higher than it would be if it were calculated on the basis of constant territory (i.e., if it related post-war output to pre-war output within the post-war territory), remains uncompensated. In order to prevent a spurious overstatement of the " European " weighted average in the post-war period, the areas ceded by Germany to Poland have been considered with their appropriate pre-war weight and an index equal to zero.

II. PRODUCTION AND CONSUMPTION OF MAJOR COMMODITIES (TABLES 7, 8 AND I–XII)

1. General

The figures on production and consumption of major commodities have mostly been derived from official publications. A list of sources is given below. In most instances, however, the original figures had to be supplemented by estimates, as explained in the following paragraphs.

Provisional figures for 1948. In many instances the available statistics do not cover the full year 1948. Figures for the missing months were estimated, taking account, where necessary, of the trend in the monthly figures and of seasonal fluctuations.

Pre-war production in post-war territories. The German 1936 census of production permits a break-down of total German production by zones (four occupation zones, Berlin, Saar and territories now ceded to the U.S.S.R. and Poland). It was assumed that the distribution of production between the zones in 1937 and 1938 was equal to that in 1936. Estimates were thus made of the production in 1937 and 1938 for the German zones, the Saar and the territory ceded to Poland, assuming there was no production of the commodities under consideration in the Polish territories now ceded to the Soviet Union.

European totals. For most commodities, pre-war production figures for all European countries are available. In many instances, however, no statistics are available on post-war production. It was assumed that production in these countries moved parallel with that in countries where information is available unless there is evidence to the contrary. This assumption appears admissible since, for most commodities, a fairly high proportion of total European production is covered by the available statistics.

Net imports or exports. No direct consumption statistics or data on stocks being available, consumption was generally calculated from the production figures by adding net imports or substracting net exports. The trade figures used in these calculations were derived from official trade statistics. Annual figures for 1948 were generally estimated from data covering less than the full year. Moreover, it is not always certain that the description of imports and exports comprises exactly the same commodities as the production figures.

The consumption data thus obtained by the combination of figures taken from different sources are, therefore, subject to wider margins of error than the production data.

2. Sources and Notes

Sources and notes on production and consumption are given in this section only in so far as the tables need further explanation or methods of estimation different from those described in the preceding section have been used.

Production of Crude Steel and Consumption of Finished Steel (Table 7)

The consumption of finished steel (in terms of crude steel) has been calculated in two steps. Production of crude steel plus imports minus exports (obtained from national trade statistics) gives the consumption of crude steel, which is the same as production of finished steel in crude equivalent. By adding to the production of finished steel the imports of finished steel and deducting the exports, both in terms of crude steel, the consumption of finished steel is obtained. The conversion factor applied to all countries is 1 ton of finished steel = 1.33 tons of crude steel. The method of combining different sources and of using the same conversion factor is, of course, very rough. It is doubtful whether the trade figures always include the same commodities as those of production. Moreover, the French and German figures are biased, because no trade statistics exist for the Saar. In pre-war years the Saar was included in Germany, whilst in 1947 Saar imports and exports are included in those of the French Zone. In the first quarter of 1948 they are included neither in France nor in Germany, whereas in the last three quarters of 1948 they are counted as French imports and exports. The figures have been revised and estimates have been made in order to make them comparable. As in other tables, post-war production and consumption in the Saar have been included in the French figures. For the various estimates relating to the Saar, however, no reliable base was available.

Production and Consumption of Coal and Coke (Table 8)

Following the usual practice, bunkers have not been regarded as exports. They have been included in home consumption. This is of importance in a few countries, such as the Netherlands and, particularly, the United Kingdom, which exported large quantities of bunker coal before the war, but are now exporting much less.

France and Germany. The Saar is included with France for post-war years. Trade figures for the Saar are not available separately. The consumption of coal and coke in France and Germany is therefore partly based on estimates. German consumption by zones also had to be estimated, since international and interzonal trade is known for the U.K./U.S. Zone only.

European total. The total consumption of Europe was calculated by adding imports of coal and coke from the United States to the total production, and deducting Polish exports to the Soviet Union and the overseas exports of the United Kingdom. The consumption of " Other European countries " was then obtained as a residual item.

Production and Consumption of Mineral Oils (Table I)

All refined products (which were added ton for ton) were expressed in terms of crude petroleum by applying the ratio 10 tons of crude to 9 tons of refined product. Wherever trade returns failed to distinguish between crude oil and its products, the proportion of crude oil to products was roughly estimated. Production in Albania, Austria and Czechoslovakia was estimated on the basis of pre-war production and peak production during the war.

Production of Electric Power (Table II)

Pre-war data have all been taken from *Statistiques, Années 1937-1946*, published by the Union internationale des Producteurs et des Distributeurs d'Energie électrique. Post-war data are those supplied by Governments to the Electric Power Division of the Economic Commission for Europe, except for the following countries:

Germany: Monthly Report of the Military Government (U.S. Zone); Bulletin statistique, Gouvernement militaire de la Zone française d'Occupation en Allemagne; *Statistische Praxis* (Soviet Zone).

Poland: Wiadomości Statystyczne.

Spain: Boletin de Estadística.

Switzerland: Bulletin de l'Association suisse des Electriciens, Organe commun de l'Association suisse des Electriciens et de l'Union des Centrales suisses d'Electricité, Zürich.

Production of Iron Ore (Table III)

The figures refer to the metal content of crude iron ores produced. The percentages of metal content are derived from the *Monthly Bulletin of Statistics*, United Nations, supplemented by estimates of the Steel Division of the Economic Commission for Europe. For the various countries the following percentages have been applied:

	%		%		%		%
Austria	35	Germany: U.K. Zone	25	Italy	50	Spain	45
Czechoslovakia	30	U.S. Zone	30	Luxemburg	30	Sweden	61
France	33	French Zone	33	Poland	35	United Kingdom	30
		Soviet Zone	34				

The German percentages have been applied only to post-war years. The pre-war iron content could be derived directly from *Statistisches Jahrbuch für das Deutsche Reich.* For Sweden, 1946 and 1947, direct figures on iron content were taken from *Bergshantering, Berättelse för år 1947.*

The figures have been derived from the sources indicated in the footnotes to the table, except for the Soviet Zone of Germany. The post-war figures for this zone have been taken from *Statistische Praxis.*

Production of Pig Iron and Ferro-alloys (Table IV)

The figures have been derived from the sources indicated in the footnotes to the table and supplemented by estimates of the Steel Division of the Economic Commission for Europe.

Production and Consumption of Cotton Yarn (Table VII)

In addition to the *Monthly Bulletin of Statistics,* United Nations, and national trade statistics, the following sources were used :

Austria : *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.*

Germany : *The Cotton Board Trade Letter,* Manchester. *Bulletin of Oxford Institute of Statistics.*

Italy : *The Cotton Board Trade Letter,* Manchester. *Bollettino Mensile del Comitato Interministeriale Carboni.* 1947 estimates are based on less than 12 months.

Sweden : *Statistisk Årsbok för Sverige 1940. Kommersiella Meddelanden.*

United Kingdom : *The Cotton Board Trade Letter,* Manchester.

For Austria, Czechoslovakia and Italy, 1938 consumption was estimated on the basis of production data for another year.

Production and Consumption of Wool Yarn (Table VIII)

In addition to the *Monthly Bulletin of Statistics,* United Nations, and national trade statistics, the following sources have been used :

Germany, Netherlands, Norway and Sweden : Wool Intelligence Notes, Imperial Economic Committee, London.

Spain : *Boletín de Estadística.*

The figures for the United Kingdom given in the *Monthly Bulletin of Statistics,* United Nations, refer to worsted yarn only. Total production of wool yarn has been estimated on the basis of raw wool consumption data.

For Czechoslovakia, Netherlands, Norway, Spain and Sweden, 1938 consumption was estimated on the basis of production data for another year.

Production and Consumption of Rayon Filament Yarn (Table IX)

In addition to the *Monthly Bulletin of Statistics,* United Nations, and national trade statistics, *Rayon Organon,* Textiles Economics Bureau, New York, and, for Italy, *Congiuntura Economica,* Istituto per gli Studi di Economica, Roma, have been used.

Consumption of Natural and Synthetic Rubber (Table X)

Except for the United Kingdom, France, Germany, the Netherlands, and the United States, for which actual consumption data are published, the figures represent net imports. In 1947 and 1948 an attempt has been made to account for changes in stocks. For the post-war years, consumption in " Other European countries " has been calculated as a residual from the totals given by the *Rubber Statistical Bulletin,* London, after an estimated allowance for consumption in the three other zones of Germany.

Production and Consumption of Sawn Softwood (Table XI)

Pre-war production of lumber (hardwood as well as softwood) is given in *Forestry and Forest Products World Situation 19 7-1946,* Food and Agriculture Organization of the United Nations. It was assumed that the pre-war proportion of softwood in total production was the same as in 1946, for which year a break-down of total production is available. Pre-war net imports or net exports were taken from the *Bulletin mensuel du Comité permanent international du Bois,* February 1939. No allowance was made for changes in stocks.

Post-war production, stocks and trade data were taken from *Yearbook of Forest Products Statistics 1947,* Food and Agriculture Organization of the United Nations, and *Timber Statistics,* Food and Agriculture Organization/Economic Commission for Europe. For the post-war years, an allowance for stock changes could be made in many cases. The post-war production of the Soviet Zone of Germany was assumed to move parallel with that of the other zones.

Production of Cement (Table XII).

In addition to *Statistical Year-Book of the League of Nations 1942/44*, and *Monthly Bulletin of Statistics*, United Nations, the following sources have been used :

Germany (Soviet Zone) : Statistische Praxis.

Italy : Bollettino Mensile del Comitato Interministeriale Carboni.

Spain : Boletín de Estadística.

Sweden : Kommersiella Meddelanden.

III. EMPLOYMENT AND PRODUCTIVITY (TABLES 3 AND 4)

1. GENERAL

The index numbers of employment in industry shown in Table 3 in principle cover the same groups of industries as the index numbers of production. In most cases the index numbers and other data on employment published by the countries had to be adjusted, as explained in the list of sources and notes below. Where territories have changed, post-war employment in the post-war territory has been related to pre-war employment in the pre-war territory.

Output per man shown in Table 4 was obtained as the ratio of the index of industrial production and the index of employment. The combined index for Europe includes only those countries for which both an index of production and an index of employment is available.

2. SOURCES AND NOTES

Austria : Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung. Special index of employment in the branches covered by the industrial production index ; original index is on basis 1937. Index for 1946 has been estimated from the former index of employment, the coverage of which was smaller.

Belgium : Bulletin de Statistique, Institut national de Statistique. Quarterly index based on numbers of wage earners employed in coalmines, quarrying, iron and steel, metal-working, non-ferrous metals, tobacco, nitrogenous products, lime and clay, paper, and bricks, and on the percentage of unemployment in textiles and clothing. Index for the year 1947 (116), base 1938 = 100, from direct information. Indices for 1946 and 1948 have been estimated from the social security returns, adjusted for the growth in coverage, as indicated in *Revue du Travail,* and from the quarterly index.

Bulgaria : Quarterly index based on absolute numbers employed, as published in *Isvestyia,* Ministerstvo na socialnata politikai truda, base March-June 1947 = 100. Index for 1946 (1938 = 100) is obtained from the comparison of numbers in 1947 and 1938 *(Annuaire statistique du Royaume de Bulgarie 1940).*

Czechoslovakia : Statistický Zpravodaj, State Statistical Office of Czechoslovakia. Special index of employment published jointly with the index of industrial production ; food industry is excluded. Index for 1946 (1938 = 100) has been estimated from absolute numbers published.

Denmark : Indices for 1946 and for 1947 were arrived at by a comparison of the numbers of wage earners employed as given in *Statistisk Aarbog 1947* and *1948.* Index for 1948 has been estimated from the index for 1947 and the change in employment, on the basis of the monthly index of man-hours worked per working-day.

Finland : All indices are based on chain index numbers computed from data published in *Social Tidskrift.* The index for 1947 (1938 = 100) was supplied by the Finnish authorities.

France : Revue française du Travail. The original figures for "Energie" and "Industries de transformation, bâtiment exclu", have been combined.

Germany (U.S./U.K. Zone) : Quarterly index numbers based on numbers employed as given in *Statistical Annex to the Monthly Report of the Military Governor (U.S. Zone).* Index for 1947 was obtained from a comparison of numbers of wage and salary earners in the Western Zones in industry (including building), between 1939 (census in May) and 1947 (average of March and September), adjusted by the index number of employment in industry between 1938 and May 1939, given by the *International Labour Review,* I.L.O. The index for 1946 has been estimated from the index for 1947 and the numbers employed in March and December 1946.

Hungary : *Gazdaságstatisztikai Tájékoztató.* The "economic index table" gives index numbers of wage earners employed in mines and iron-smelting, and of wage earners employed in manufacturing industry. The two indices have been combined with the following weights: mining and iron-smelting 18, manufacturing 82. Indices for 1947 and 1946 are based on information in the same review. In calculating the index of output per man shown in Table 4, the employment index used was that given in *Magyar Statisztikai Szemle,* January 1948, p. 19, together with a production index for 1946 and 1947, both of which refer to manufacturing industry only. For 1948, the corresponding employment index used in Table 4 was estimated from the index shown in Table 3 by assuming that the movement in the manufacturing industry was the same as in all industry.

Ireland : *Irish Trade Journal and Statistical Bulletin.* Half-yearly inquiries give the number of persons engaged in certain industries. Quarterly indices have been obtained by interpolation. The index for 1946 (1938 = 100) is arrived at from the comparison of the number of wage and salary earners in October 1938 and 1946. The index for 1947 has been computed from the index for 1946 linked with the results of the half-yearly inquiry.

Italy : Figures supplied by Italian authorities show the wage earners employed in establishments. Separate index numbers for mining, and manufacturing and public utilities were combined, the weights being the numbers employed in 1937-1939, according to the industrial census. The link to a pre-war base was obtained from data published in *Rassegna di Statistiche del Lavoro,* Roma.

Netherlands : Indices were supplied by the Dutch authorities.

Norway : Indices for 1947 and 1948 were received from the Norwegian authorities. The index for 1946 (1938 = 100) has been arrived at by taking into account the number of wage earners in 1946 and 1947, as published in *Arbeidsmarkedet, 1948,* nr. 3.

Poland : *Bulletin of the Polish Institute for Economic Research.* The number of wage earners in 1947 was 914,000, according to *Wiadomości Statystyczne,* 5 October 1948. In 1938 the number was 779,000 (*Concise Statistical Year-Book of Poland, September 1939-June 1941,* p. 111). The index for 1947 (1938 = 100) ist herefore roughly 120. Indices for 1946 and 1948 have been obtained by linking the latter result with the index of employment.

Sweden : Original indices (1938 = 100) were obtained directly from the Swedish authorities.

Switzerland : *La Vie économique* gives quarterly chain index numbers. Indices for 1946, 1947 and 1948 were obtained from the number of workers in the factories, registered in October of each year.

United Kingdom : *Monthly Digest of Statistics* gives the distribution of total manpower in Great Britain, divided into mining and quarrying, gas, water and electricity supply and manufacturing industries. Figures for February 1947 are not available. An average was computed for the eleven other months, and the annual average was estimated at 2 per cent below that figure. The figure shown for the first quarter of 1947 is the average of January and March reduced by 8 per cent (see for these estimates *London and Cambridge Economic Service,* 1947, p. 40). The original figures had to be adjusted in view of the revisions made in July of each year. Index for 1947 (1938 = 100) supplied directly by the Ministry of Labour relates to eleven months (February excluded) and was adjusted so as to correspond to the corrected annual average of number of persons employed.

3. WEIGHTING

The weights used in arriving at the combined annual index numbers are proportional to the numbers of wage and salary earners in 1938. They are as follows :

Austria	8	Germany : Territories ceded to Poland	8
Belgium	10	Ireland	2
Bulgaria	1	Italy	27
Czechoslovakia	13	Netherlands	7
Denmark	4	Norway	3
Finland	3	Poland	14
France	45	Sweden	7
Germany : Western Zones	53	United Kingdom	76

Hungary and Switzerland, for which employment indices are shown in the tables, have not been included in the combined index. The weight given to the German territories ceded to Poland has been used (with an employment index of 0) for the correction necessary on account of changes in territory (see section I, 4 above).

For the calculation of the combined index numbers for the quarters of 1947 and 1948 (1947 = 100) the weights have been shifted to a 1947 base by means of the annual employment indices for each country.

IV. INDEX NUMBERS OF AGRICULTURAL PRODUCTION (TABLE 14)

The index numbers of agricultural production have been prepared by the Food and Agriculture Organization except for the agricultural year 1948/49. The index numbers for that year are estimates by the Research and Planning Division of the Economic Commission for Europe.

The method used by the Food and Agriculture Organization in calculating the index numbers is explained in *The State of Food and Agriculture 1948*, pp. 212-216. The index numbers themselves have not hitherto been published, and they are provisional.

The method briefly is as follows. For all European countries, total agricultural production for 1934-1938 (average), 1946/47 and 1947/48 was calculated at uniform and constant pre-war prices obtained by averaging the export prices of exporting countries. These prices had to be modified in a number of cases, e.g. for potatoes where export prices refer to superior qualities unrepresentative of total output. In order to avoid double counting, animal feeding-stuffs were deducted from gross production. Pasture and forage crops were omitted. No deductions were made for skimmed milk, oilcakes, middlings, bran, beetpulp, brewer's grains, etc., fed to animals, or for the parts of production used for seed. The index numbers are thus essentially indices of gross production.

It is emphasized by the Food and Agriculture Organization that the index numbers will not match with any individual country's index number, on account of the international prices chosen as weights. Moreover, the index numbers must be regarded as tentative and provisional, since the validity of the prices requires further critical examination and the data on production in many countries call for revision and amplification.

The estimates for 1948/49 prepared by the Research and Planning Division are largely based on crop estimates, since figures on livestock and dairy products are not yet available for this agricultural year. To the extent that livestock and dairy products were considered, it was assumed that production will not considerably exceed the 1947/48 level unless there are indications of a more favourable development, or production in 1947/48 was considerably lower than in the previous agricultural year. It follows that the estimated index numbers are even more tentative than those prepared by the Food and Agriculture Organization.

In calculating Table 18, United States agricultural production has been measured by the volume of marketings.

V. RAILWAY FREIGHT TRAFFIC (TABLE 15)

In addition to the *Monthly Bulletin of Statistics*, United Nations, the following sources have been used :

Belgium : *Bulletin d'Information et de Documentation*, Banque nationale de Belgique.

Denmark : The 1938 figure is a mean of the financial years (April-March) 1938 and 1939. The 1946 figure is estimated on the basis of the last eleven months.

Germany (French Zone) : The previous estimate of 1938 ton-kilometres was revised to exclude the Saar, on the basis of 1935 data.

Hungary : *Monthly Bulletin of the National Bank of Hungary* and *Gazdaságstatisztikai Tájékoztató.*

Netherlands : *Statistisch Bulletin* and *Maandschrift* (Centraal Bureau voor de Statistiek).

Norway : The 1938 figure for tons carried is a mean of the financial years (April-March) 1938 and 1939. The 1938 figure for ton-kilometres is based on monthly data in *Statistisk-økonomisk utsyn over krigsårene.*

Sweden : *Järnvägsstatistiska Meddelanden.* The series for ton-kilometres published in the *Monthly Bulletin of Statistics* of the United Nations are for State railways only, which form a higher proportion of all railways after the war than they did before. By use of these proportions, shown in the Supplement to the Bulletin, estimates have been made for total freight traffic.

United Kingdom : *Monthly Digest of Statistics.*

Switzerland : The ton-kilometres are taken from *Annuaire statistique, Chemins de Fer fédéraux*, 1948.

Some 1938 data were obtained from *Statistique internationale des Chemins de Fer, 1938*, Union internationale des Chemins de fer, and the data for Greece, Turkey, Italy, and the French Zone of Germany were received in reply to questionnaires of the Inland Transport Committee, Economic Commission for Europe.

VI. WHOLESALE PRICES (TABLES 24, 25, 27, 69, 70)

1. Sectional Price Index Numbers (Tables 24, 25 and 27)

The indices given in the tables are, with the exceptions mentioned below, the official wholesale price indices for the following groups of commodities :

(a) Agricultural products (total and broken down into animal and vegetable products). These indices have been chosen so as to indicate, as nearly as possible, the level of prices received by farmers.

(b) Industrial products, excluding, wherever possible, semi-manufactures and products of the food processing industries.

(c) Raw materials for industry, both imported and home produced.

In the following cases the indices used do not correspond exactly to the foregoing description, or have been subjected to certain adjustments :

Agricultural Products (Table 24)

Sweden : Weighted average of indices for animal (48) and vegetable (52) food.

Animal Products (Table 25)

Austria : Simple average of indices for meat and milk.

Belgium : Simple average of indices for living animals and animal products.

France : The indices include only meat and fats.

Switzerland : Simple average of indices for meat, pork, milk and eggs.

Vegetable Products (Table 25)

Austria, Bulgaria and France : The indices include only grain crops.

Finland : Simple average of indices for (1) grain and grain products, (2) other vegetable products.

Switzerland : Simple average of indices for wheat and potatoes.

Industrial Products (Tables 24 and 27)

Austria and Germany (U.S./U.K. Zones) : An index for industrial raw materials has been used.

Czechoslovakia : Industrial materials and products.

France : Semi-manufactures of all industries.

Switzerland : The general wholesale price index has been used.

Industrial Raw Materials (Table 27)

Denmark and Norway : Raw materials and semi-manufactures other than food.

Finland : All producers' goods.

United Kingdom : Basic industrial materials.

Sources

Austria : *Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung* and *Statistische Nachrichten* (Österreichisches Statistisches Zentralamt).

Belgium : Data furnished by Institut des Recherches économiques et sociales de l'Université catholique, Louvain.

Bulgaria : *Bulletin mensuel de la Direction générale de la Statistique*, 1947, No. 11.

Czechoslovakia : Jan Krblich : *Survey of Czechoslovak Agriculture*, Institute for International Collaboration in Agriculture and Forestry, Prague, 1947, p. 21, and *Monthly Statistical Bulletin*, United Nations.

Denmark : *Statistiske Efterretninger* and *Undersögelser over Landbrugets Driftsforhold* (published by the Institute of Farm Management and Agricultural Economics), Vol. XXIII, p. 14, Vol. XXXI, part 1, p. 12, and Vol. XXXII, part 1, p. 13.

Indices for agricultural prices have been shifted from original base (1909-1914) to base July-June 1938/39.

Finland : *Statistisk Årsbok för Finland 1916/1947* and *Statistiska Översikter*.

France : *Bulletin de la Statistique générale de la France.*

Germany (U.S./U.K. Zones) : *Statistische Monatszahlen* (Statistisches Amt des Vereinigten Wirtschaftsgebietes), December 1948.

Greece : *Deltion Emborikou-Viomehanikou Epimeleteriou Thessalonikis* (Bulletin of the Chamber of Commerce and Industry of Salonica), January 1949, p. 56.

Hungary : *Gazdaságstatisztikai Tájékoztató.*

Ireland : *Irish Trade Journal and Statistical Bulletin.* The index for agricultural prices is originally based September 1938-August 1939 = 100. It has been shifted to base October 1938 = 100 by means of the ordinary wholesale price index for food.

Italy : *Bollettino Mensile di Statistica* and " Relazione del Direttore generale sulli operazioni fatte dalla Banca d'Italia ", *Adunanza generale ordinaria dei partecipanti*, 31 March 1948, Banca d'Italia, p. 80.

Netherlands : *Maandschrift* (Centraal Bureau voor de Statistiek). The indices for agricultural products have been shifted from original base (1924/25-1928/29).

Norway : *Jordbruksstatistikk 1947*, p. 35, and *Statistisk-ökonomisk oversikt 1939, 1947 and 1948.*

Poland : *Papers of the Polish Institute for Economic Research*, No. 1, April 1947.

Spain : *Boletín de Estadística*, No. 46 and 48, 1948, and *Precios al por mayor y números índices 1913 a 1941.*

Sweden : *Kommersiella Meddelanden* 1940, p. 88, and current issues.

Switzerland : *Bulletin mensuel*, Banque nationale suisse.

United Kingdom : *Monthly Digest of Statistics.*

2. EXPORT PRICES AND HOME MARKET PRICES FOR PARTICULAR COMMODITIES (TABLES 69 AND 70)

The Level of Prices for Timber, Pulp and Paper in Finland, Norway and Sweden (Table 69)

Finland : The indices of export prices were taken from *Statistiska Översikter* (Statistiska Centralbyrån). The index of " building timber " which is part of the building costs index published in *Social Tidskrift* (Socialministeriet) was taken for the index of home market prices for timber and the base year shifted from 1939 to 1938 by use of a wholesale price index for timber. The wholesale price index for the group " pulp, paper and paper board " published in *Statistiska Översikter* was taken for the index of home market prices of paper and pulp.

Norway : The indices of export prices were taken from *Norges Handel, 1946* (Statistisk Sentralbyrå), *Economic Survey, Norway, 1947* (The Economic Co-ordination Council), Oslo, and *Statistisk-oekonomisk Oversikt over Aaret 1948* (Statistisk Sentralbyrå) which publish annual unit price indices (1938 = 100) weighted by the quantities exported in the current year. The indices of home market prices and wages in forestry were taken from *Statistiske Meddelelser* (Statistisk Sentralbyrå). The home market price indices are the wholesale price index for the groups " wood products " and " pulp and paper ". The index for wood products is presumably too high because not only sawn softwood but also saw-logs enter into it.

Sweden : The indices of export prices were derived from the export statistics as follows : Samples of 8 items for timber, 4 items for pulp and 7 items for paper were chosen from the export statistics and the average unit value of each *item* was calculated ; the index for each *sample* was then obtained by weighting the unit value of each item in the sample by the average quantities of the item exported in 1936-1938. The home market price index for timber was taken from the quarterly indices of building costs published in *Index* (Svenska Handelsbanken). The base year was shifted from 1939 to 1938 in accordance with the old wholesale price index for " timber for building purposes ". For paper and pulp the wholesale price index published in *Kommersiella Meddelanden* (Kommerskollegium) was used. Wages in forestry were taken from *Sociala Meddelanden* (Socialstyrelsen).

Home Market and Export Prices of Steel in the United Kingdom, Belgium and the United States (Table 70)

Sources

The home market price for steel in the United Kingdom was taken from *Bulletin de la Chambre syndicale de la Sidérurgie française*, Paris. The United Kingdom export prices and all prices for Belgium were taken from *The Metal Bulletin*, Metal Information Bureau, London. The home market and export prices for steel in the United States were taken from *The Iron Age*, New York.

VII. WAGES (TABLES 20, 26 AND 68)

1. INDEX NUMBERS OF HOURLY EARNINGS IN INDUSTRY (TABLE 20)

The indices refer, wherever possible, to hourly earnings of male and female workers in 1938 (average for the year) and in the third quarter of 1946, 1947 and 1948. In some cases other indicators (e.g., wage rates or weekly earnings or a pre-war base other than 1938) have been used, as specified in the notes which accompany the table. In cases where the original data covered sectors other than industry they have been adjusted, as far as possible, so as to correspond to industry only. Some other exceptions are indicated, together with the original sources, in the following notes :

Belgium : Bulletin de l'Institut de Recherches économiques et sociales (Université catholique de Louvain) ; *Wage Trends and Wages Policies : Various Foreign Countries*, United States Department of Labor, Bulletin No. 934.

Bulgaria : Bulletin mensuel de la Direction générale de la Statistique.

Czechoslovakia : National Bank of Czechoslovakia Bulletin. The figures are yearly averages.

Denmark : Statistiske Efterretninger.

Germany (U.S. Zone) : Statistical Annex to the Report of the Military Governor (U.S.).

Germany (U.K. Zone) : Monthly Statistical Bulletin of the Control Commission for Germany (British Element).

Germany (Soviet Zone) : Moscow News, 1948, No. 22.

Ireland : Data from industrial censuses 1938 and 1946 linked with the results of the half-yearly inquiry on employment and wages. Figures for 1947 and 1948 refer to weekly earnings. Figure for 1948 refers to the month of March.

Netherlands : Statistiek der Lonen and *Economisch-Statistische Berichten*, Rotterdam, 1948, No. 1645. Data on wages for male workers have been adjusted so as to arrive at indices for all workers.

Norway : Arbeidslönninger 1946 and *Statistiske Meddelelser*. Original series on hourly earnings beginning third quarter 1940 has been linked with an official estimate of the relative increase in earnings from 1938 to third quarter 1940. For computation of indices referring to both sexes the following weights were applied : male workers 78, female workers 22.

Spain : Comercio, Industria y Navegación de España, Madrid, June-August 1948. The indices are computed from data on earnings (including cost-of-living allowances, but excluding social insurance payments). The indices have been computed as the arithmetic average of the data for individual occupations.

Sweden : Data from *Lönestatistisk Årsbok för Sverige 1938* and *1946* have been linked with information on percentage increase 1946-1948 given in *Sociala Meddelanden*, 1947, p. 634, and a quarterly index of hourly earnings based February 1947. The figure for 1946 is a yearly average. The figures for 1947 and 1948 refer to the month of May.

Switzerland : Bulletin mensuel, Banque nationale suisse.

United Kingdom : Ministry of Labour Gazette. The figure for 1948 refers to the month of March.

Austria : Monatsbericht des Österreichischen Institutes für Wirtschaftsforschung. Comparison with pre-war based on earnings in schillings.

Finland : Social Tidskrift and *Statistisk Årsbok för Finland 1946/47*, p. 219. For computation of indices referring to both sexes the following weights were applied : male workers 62, female workers 38.

France : Data for October 1946 in *Revue française du Travail 1947*, p. 409, linked with the quarterly index of wages adjusted for legal overtime increases.

Italy : Bollettino mensile di Statistica.

2. INDEX NUMBERS OF WAGES IN AGRICULTURE, FORESTRY AND MINING (TABLE 26)

Agricultural Wages

The index numbers used are for male agricultural workers' money wages in summer. In addition to the notes which accompany the table, it should be mentioned that the agricultural wage indices for France and Ireland refer to both sexes, and that the agricultural wage indices for France and Spain are yearly averages.

The following sources were used :

Denmark : *Statistiske Efterretninger.*

Finland : For 1946 and 1947 : *Social Tidskrift ;* for 1948 : *Economic Review*, Kansallis-Osake-Sankki 1948, No. 1.

France : Data for October 1946 in *Revue française du Travail*, 1947, p. 409, linked to index of industrial wages, adjusted for overtime payments, and to the annual total wage bill for agriculture.

Hungary : *Bulletin of the Hungarian Institute for Economic Research*, No. 54.

Ireland : *Irish Trade Journal and Statistical Bulletin.*

Italy : *Bollettino mensile di Statistica.*

Netherlands : *Statistiek der Lonen.*

Norway : *Statistiske Meddelelser* and *Statistisk Årsbok for Norge.*

Spain : *Comercio, Industria y Navegación de España*, Madrid.

Sweden : *Statistisk Årsbok för Sverige* and *Lönestatistisk Årsbok för Sverige.*

Switzerland : *Premier Rapport annuel adressé par la Suisse à l'Organisation des Nations Unies pour l'Alimentation et l'Agriculture, 1946.*

United Kingdom : *The N.F.U. Information Service*, National Farmers' Union, London, Vol. III, No. II.

Wages in Forestry

The index numbers of winter wages in forestry have been compared with industrial earnings in the first quarter of the year. The sources used are as follows :

Norway : *Statistiske Medelelser*, 1939, p. 282, and 1948, p. 214. Piece rate in winter per cubic metre.

Sweden : *Sociala Meddelanden*, 1948, p. 868. Index of daily wages for hewers.

Wages in Coal mining

Belgium : *Wage Trends and Wage Policies : Various Foreign Countries*, United States Department of Labor, *Bulletin* No. 934. The index refers to hourly earnings. Weighted average for industry excluding coal mines was computed on the basis of the index of 320 (1936-1938 = 100) for all industry and 369 for coal mines, for December 1946, using numbers employed as weights. The index arrived at was then combined with the monthly data published in *Bulletin de l'Institut de Recherches économiques et sociales* (Université catholique de Louvain).

France : *Bulletin de la Statistique générale de la France.* Average for second and third quarter 1947. The figures refer to earnings per man-shift.

United Kingdom : *The Ministry of Labour Gazette.* Average cash earnings per man-shift.

3. Industrial Wages and Labour Costs in Europe and in the United States (Table 68)

The indices of average hourly earnings in industry taken from Table 20 were adjusted for changes in the United States dollar rate (see Section XI, 1) and divided by an index of hourly earnings in the manufacturing industries in the United States. The indices of hourly earnings shown in the second half of the table are the indices from Table 20 adjusted for changes in the United States dollar rate, divided by the indices for output per man given in Table 4 and expressed as ratios of a similar index for the United States, computed from data in *The Economic Report of the President transmitted to the Congress, January 1949 (Washington, 1949).*

VIII. GOVERNMENT EXPENDITURE AND REVENUE (TABLES 28-30)

1. General

The figures have all been derived from sources as indicated below. Owing to wide variations in accounting methods and presentation, it has in most cases been necessary to make certain adjustments in order to arrive at figures corresponding as far as possible to uniform definitions. These adjustments are also described below. The figures for social security have been taken partly from the *Year-Book of Labour Statistics, 1947-1948*, International Labour Office.

The figures for national income at current prices used to express the expenditure and revenue in percentages of national income have been derived from sources described in Appendix A.

2. Sources and Notes

Austria : *Bundesrechnungsabschluss Österreich für das Jahr 1937. Statistische Nachrichten,* March and November 1948. *Bundesfinanzgesetz 1948. Bundesfinanzgesetz 1949* (draft).

For social security only revenue and expenditure which goes to the Central Government Budget is included. Other current civil expenditure includes : *(a)* transfer to local authorities of taxes included in tax revenue, and *(b)* occupation costs for 1946 and 1947 ; as no provision is made for such costs, no figure is available for 1948 and 1949.

Belgium : *Budget des Recettes et des Dépenses pour l'exercice 1949, Exposé général. Annuaire statistique de la Belgique et du Congo belge 1913, 1946, 1947. Situation générale du Trésor public au 1er janvier 1948. Revue du Travail,* Nos. 11-12, 1947 and No. 11, 1948.

The figures for expenditure in 1938, 1946, 1947 and 1948 represent credits granted, and in 1949 credits requested. The figures for revenue in 1938, 1946 and 1947 represent actual receipts, for 1948 probable revenue, and for 1949 the figures are estimated.

Defence expenditure in 1946 includes expenditure on account of Allied Armies. The figure for social security in 1938 relates to state expenditure only. The figures for direct taxes do not include extraordinary taxes levied for the amortization of the monetary loan. All social security contributions have been partly estimated and the figure for 1947 has been applied to 1948 and 1949.

Czechoslovakia : *Statni Záverený Úcet 1937* (closed accounts). Financny zákon, 1947 and 1948. Dr. Jan Kozák " Czechoslovak Budget Economy after the War ", *Openbare Financiën* No. 4, 1948.

Figures for national debt interest represent the total debt services paid by the State Administration Receipts from U.N.R.R.A. have not been included in revenue.

Denmark : *Statistisk Aarbog 1940. Danmarks Nationalbudget for Aaret 1938.*
Post-war data, being taken from national accounts, are for calendar years.

For 1946, 1947 and 1948, the national budget figures have been adjusted to exclude local authorities.

Figures for expenditure on social security are taken from *Statistiske Efterretninger,* No. 62, 1948. The figures for direct taxes include stamp duties, but do not include the capital levy.

Finland : *Statsbokslutet jämte bilagor 1938, 1946* (closed account). Bank of Finland, *Monthly Bulletin,* December 1948. *Statiska Översikter. Statsforslag, 1948.* Draft Supplementary Budget (9 June 1948).

Social security expenditure represents state expenditure plus accident insurance. War reparations to the U.S.S.R. and expenditure under Armistice Agreement and Peace Treaty are included in " other current civil expenditure ". Direct taxes include the amount of the exceptional property tax paid in cash. Social security contributions have been estimated for all years.

France : *Perspectives des Ressources et des Besoins de l'Economie française au cours du premier semestre et de l'année 1948. Troisième Rapport semestriel sur la Réalisation du Plan de Modernisation et d'Equipement,* résultats au 30 juin 1948.

Hungary : *A Magyar Ällam Zárszámadása* (closed accounts), 1937/1938 and 1946/1947. *Gazdaságstatisztikai,* March 1948 and October 1948.

Figures for 1947/48 in Table 29 are budget estimates. Other current civil expenditure includes international obligations. Direct taxes include capital levy.

Ireland : *Finance Accounts,* 1937/38, 1946/47, 1947/48. *Estimates of Receipts and Expenditure,* 1948/49.
Expenditure and revenue of social security funds are partly estimated.

Italy : *Annuario statistico 1940. Conto riassuntivo del Tesoro,* suppletivo (cash accounts), June 1947, June 1948. Ragioneria Generale dello Stato, *Previsioni delle entrate e delle spese dello Stato per l'esercizio finanziario 1948/49.*

Social security contributions and the benefits are estimates based on the following sources : U.N.R.R.A., *Survey of Italy's Economy* (Rome 1947), pp. 218 and 244. *Bollettino Mensile di Statistica,* May and October 1948. Speech by the Minister of Labour, *Previdenza Sociale,* July-October 1948, pp. 160-161. C. Vannutelli, " L'ammontare dei contributi pagati dalla produzione nazionale per la previdenza sociale ", *Rassegna di Statistiche del Lavoro,* January-February 1949.

Investments are gross as the budget includes no allowance for depreciation. Direct taxes include extraordinary capital taxes.

Netherlands : *First Memorandum on the Central Economic Plan 1946* and *National Budget 1947. Nota betreffende de toestand van 's Rijks financiën* (Budget of the Ministry of Finance for 1949). *Jaarcijfers voor Nederland 1943-1946.*

The figures for revenue and expenditure of local authorities, which have been partly estimated, have been deducted from government revenue. Investments in public enterprises are not included.

Norway : *Statsregnskapet* (closed accounts) 1937/38 and 1946/47. *Budsjettinnstilling III B* (voted budget) 1947/48 and 1948/49. *St. prp. Nr. 1 (1949) Statsbudsjettet 1949/50. St. meld. Nr. 1 (1949) Nasjonalbudsjettet 1949.*

Estimates of expenditure have been partly revised. Direct taxes do not include the tax to cover war damages, but include the tax for maintenance of military forces.

Poland : *Bulletin statistique du Ministère des Finances*, No. 1, 1939. *Wiadomości Statystyczne*, 20 February, 20 April, 5 July, 5 October 1948. Ustawa Skarbowa, 30 December 1947 (Budget Law, 1948) and Ustawa o Panstwowym Planie Inwestycyjnym 24 February 1948 (Investment Plan, 1948).

The figures for " rationing " expenditure have been taken as expenditure for price subsidies. Investment figures include public investments financed by the Treasury, by bank credits and foreign credits, which have been partly estimated. The figures given under " other current revenue " include payments received from nationalized industries.

Sweden : *Budget Redovisning* (closed accounts), 1937/38, 1946/47, 1947/48. *Rikstat* (voted budget) 1948/49. *Proposition till Riksdagen* (drafted budget) 1949/50. *Statistical Year-Book 1948. Sociala Meddelanden* No. 10, 1948.

United Kingdom : *National Income and Expenditure of the United Kingdom, 1947* (Cmd. 7371). *Statement relating to Defence*, February 1939 (Cmd. 5944) ; February 1947 (Cmd. 7042) ; February 1948 (Cmd. 7327). R. C. Tress, " The Budget and the National Income, 1948/49 ", *London and Cambridge Economic Service*, Vol. XXVI.

Data for 1938, 1946 and 1947, being taken from national accounts, are for calendar years. The figures for investments represent expenditure on new assets plus the change in the value of inventories less maintenance provision.

IX. GROSS AND NET INVESTMENT IN FIXED CAPITAL (TABLES 33-40)

1. General

For the purpose of the discussion in Chapter III, " fixed capital " is defined as including machines, buildings and other constructions, and commercial vehicles, but excluding armaments and consumers' capital except dwellings. Gross investment in fixed capital covers all expenditure incurred for the purpose of installing or constructing new fixed capital whether for replacement or as an addition to stock. In addition, as set out in the footnote to Table 33, some countries include part or all of maintenance and repairs. There are corresponding differences in the definition of depreciation, so that the figures for net investment (which covers that part of gross investment which exceeds depreciation) are comparable in definition though they suffer from a larger margin of statistical error than the gross investment figures.

Data on gross investment were taken in most cases from official reports, the original figures being adjusted wherever possible to secure a uniform definition of fixed capital as given above. The nature of the adjustments is described in the notes below.

Net investment is directly given in some cases. In others, it was obtained by deducting depreciation from gross investment. Depreciation in turn had to be estimated where it was not available. In all cases, the data were checked in order to eliminate the effects of the tendency to underestimate depreciation in periods of rising prices. Where the value of total fixed capital was known, depreciation was obtained on the basis of the estimated average lifetime of investment goods. In some cases, depreciation had to be estimated by comparison with capital and depreciation data in similar countries.

Rates of growth are obtained as ratios of net investment to the value of the stock of fixed capital.

Investment data are often given in current prices. The figures were therefore, where necessary, first expressed in 1938 prices by means of national price indices. However, the conversion into 1938 prices has been carried out for total investments only, no data for individual categories of investment goods being available in most cases. The different categories of investment goods, therefore, were all deflated with the average price index for total investments.

In cases where the value of investments has been published in constant prices, the price movement has been computed from the ratio between the " current " and " constant " value figures. In cases where no such data were available, use was made of wholesale price indices that represented as closely as possible the price movements in the investment field.

All figures were then translated into United States dollars by applying the purchasing power parity rates given in Appendix A, Table B. However, the rate of exchange (which applies to manufactures in general) was deemed to be inapplicable to construction in Poland, and total investment in Poland was therefore converted at the rate of 15.4 United States cents per zloty. The exchange rate applied to Yugoslavia (0.54 United States cents per dinar of 1938 purchasing power) was derived by the same method as the rates for other countries.

The estimates for 1948 are provisional in most cases.

The following notes indicate the sources used and the adjustments applied to the original figures.

2. Sources and Notes

Abbreviations : G.I.—Gross Investment.

N.I.—Net Investment.

Belgium : G.I., both total and by sectors, *Troisième Rapport relatif au problème des investissements*, 1948 (Ministère de la Coordination économique et du Rééquipement national), page 34. Investments in coal mining were corrected for the construction of miners' dwellings and investments in dwellings have been raised accordingly. Figures for 1946 *ibid.* page 15.

Depreciation as given *ibidem*, page 42.

The value of capital in manufacturing has been estimated on the assumption (1) that depreciation of machinery equals, on the average, 6.7 per cent of the net (i.e., depreciated) capital value of machinery and depreciation of buildings, 2.5 per cent of the net capital invested in industrial buildings, and (2) that the ratio between the capital invested in machinery and buildings is generally 2 : 1.

Conversion into 1938 prices was effected by the wholesale price index for finished goods, excluding food industries (*Monthly Bulletin of Statistics*, United Nations).

Bulgaria : G.I. totals from D. Terpechev, *Rapport sur le Plan économique quinquennal*, Sofia, 1948, pp. 28-30 ; G.I. by sectors from *Planowo Stopanstwo* (Planned Economy), No. 2, February 1948, pp. 74-75. Irrigation, drainage and other land improvements were deducted from agriculture, roads and bridges from transport, and both were added to the Government sector. Dwellings cannot be separated from investment in manufacturing and mining.

Depreciation, total and by sectors, was calculated, except for dwellings and agriculture, from data on the value of the stock of capital given in *Otetchestven Front*, 31 October 1948. For manufacturing and mining, the rate of depreciation was put at 4½ per cent, and for transport at $3^1/_3$ per cent. For dwellings and agriculture, depreciation was calculated from pre-war values as published in the sources quoted in Appendix A. The adjustment to 1938 prices was effected by the official index of wholesale prices.

Czechoslovakia : G.I. total and by sectors and by branches of industry from *Průbeh Plneni Hospodářského Plánu, Rok 1947* (The Fulfilment of the Economic Plan 1948) Praha, 1948, p. 301 ; *idem, II čtvrtleti 1948* (second quarter 1948), Praha, 1948, p. 15 ; *Hospodář*, 1948, No. 52, and 1949, No. 7. The figures for 1948 are partly estimated from the foregoing sources, since no final figures are yet available.

The official estimate of G.I. in building was raised to include unplanned building which was estimated from the consumption of building materials.

The estimates of net investment are based on an unpublished official estimate of 8.9 billion Kčs depreciation in 1937, which was raised for post-war years in accordance with the index for wholesale prices for industrial products. No allowance was made for changes in the stock of capital between pre-war and post-war years. Post-war depreciation in industry was derived from *Statistický Zpravodaj*, October 1948, p. 346. The depreciation in the other sectors was estimated. The value of capital in industry was estimated on the same assumptions as described in relation to Belgium.

Denmark : Total G.I. and N.I., 1947 and 1948 : *Statistiske Efterretninger*, 11 January 1949, p. 31, 1938 and 1946 : *Statistisk Aarbog 1948*, Table 242. The depreciation figures for 1946 and 1947 have been diminished slightly, in order to allow for abnormal post-war excess expenditure on maintenance that should properly be regarded as net investment.

Economic Sectors : G.I. : *Danmarks National Budget for Aaret 1948*. Figures for individual sectors have been corrected according to changes in the investment in " buildings " and " machinery and apparatus " as shown by *Efterretninger*. In the case of investments in dwellings, it has been assumed that expenditure on maintenance bears the same ratio to new investments as total maintenance to total new investments for all buildings. The breakdown of total depreciation by different economic sectors has been estimated.

Branches of Manufacturing : G.I. : *Statistiske Efterretninger*, 4 March 1948, p. 46. Depreciation and the value of capital investment by individual branches is based on private estimates.

The price level of investment goods in 1946 as given by *Statistisk Aarbog 1948*, Table 242. Investment prices for 1947 and 1948 have been linked to this level by applying the wholesale price index of manufactured goods *(Statistiske Efterretninger)*.

France : G.I. both total and by economic sectors. 1946 and 1947 based primarily on *Deuxième Rapport semestriel sur la Réalisation du Plan de Modernisation et d'Equipement,* Résultats au 31 décembre 1947, Table 6, corrected according to more recent unpublished estimates. N.I. : *ibidem,* Table 4, corrected. Value of capital in industry computed from depreciation estimates, after correction for maintenance, as given *ibidem,* Table 4.

G.I. and N.I. 1948 : Commissariat général du Plan.

The price level on investment goods in 1946 and 1947 as given in *Perspectives des Ressources et des Besoins de l'Economie française au cours du premier semestre et de l'année 1948,* p. 93, Table I A. 1948 has been linked by applying the general index of wholesale prices (*Monthly Bulletin of Statistics,* United Nations).

Hungary : G.I. both total and by sectors based on *Jelentés a hároméves terv első évéről (1947. augusztus 1-1948. július 31).* (Report on the First Year of the Three-year Plan), Budapest, 1948, pp. 161-169 and 189. *Gazdaságstatisztikai Tájékoztató* (Economic Statistical Bulletin), No. 2, February 1949, pp. 58-59.

Expenditures for agricultural education, stock-breeding, fertilizers and seed were deducted. Investment in the farm-machinery industry, fertilizer production and food-processing factories and in rural electrification were transferred from agriculture to manufacturing ; investment in rural roads and railways, drainage, irrigation and soil improvement from agriculture to public investment. Rural dwellings were shown together with other dwellings. Investment outside the Plan was taken into consideration as officially estimated by the Plan authorities (see *Jelentés a hároméves terv első évéről,* pp. 21 and 163, and *Gazdaságstatisztikai Tájékoztató,* No. 12, October 1948, pp. 826-827).

Depreciation and capital stock figures have been based on pre-war estimates as contained in J. Judik and R. Nötel, *Magyarországi dologi tőkeképződés,* 1937-1940 (Capital Formation in Hungary, 1937-1940). Post-war figures have been arrived at by adjusting the pre-war estimates to take account of *(a)* price changes (which were allowed for by means of investment cost indices based on official price indices), and *(b)* additions to, and losses of, capital. The investment cost indices were calculated from official price indices of engineering products, building wages and building materials. The latter two were given equal weight in computing the cost of building. The adjustments of the capital stock figures were estimated for manufacturing, on the basis of changes in machine and employment capacity, and for transport, on the basis of changes in the stock of vehicles and other capital. In building, war damage was allowed for. In these latter adjustments, use was made of data published in *Gazdaságstatisztikai Tájékoztató* (Economic Statistical Bulletin), and *Magyar Nemzeti Bank Havi Közleményei* (Monthly Bulletin of the National Bank of Hungary), 1947, Nos. 5-6, pp. 241, 246-47.

Italy : According to *Relazione sul III° trimestre E.R.P. in Italia,* C.I.R.-E.R.P., 1949, total net investments in 1947 and 1948 equalled 14 per cent and 13 per cent of net national income, respectively. Data for 1946 and the break-down by sectors in 1947 from *Italy, Country Study,* Economic Co-operation Administration, Washington, D.C., 1949, Table 4 and Appendix D.

The conversion to 1938 prices was effected by means of the general wholesale price index (*Monthly Bulletin of Statistics,* United Nations).

Netherlands : Total G.I. and N.I. 1948 from *Nota betreffende de toestand van's Rijks financiën* (Budget of the Ministry of Finance for 1949), pp. 59-61.

1946 and 1947 and break-down by economic sectors : estimates from unpublished sources. The conversion into 1938 prices was effected by means of a special price index estimated from unpublished sources.

Norway : G.I. and N.I. total and by economic sectors : 1946, 1947 and 1948 : *Nasjonalbudsjettet 1949* (Handelsdepartementet St., Meld. nr. 1, 1949). Some minor changes in classification for 1947 are based on *ibidem* 1948. N.I. 1939 : *ibidem* 1948, p. 5. G.I. 1939 : Depreciation has been computed by taking the same percentage of fixed capital stock as in 1947. G.I. by branches of manufacturing, 1947, from unpublished sources. Capital stock for 1945 (*Nasjonalinntekten i Norge,* 1935-1943, Statistisk Sentralbyrå, p. 141) has been extrapolated to 1947 and 1948 allowing for N.I., adjusted for price changes since pre-war.

The conversion into 1938 prices was effected by means of a special price index estimated from unpublished sources.

Poland : G.I. total and by sectors from *Bulletin of the Polish Institute for Economic Research,* 1948, No. 7, p. 1. Data on investment outlay during 1947 outside the Plan have been communicated by the Central Planning Board, Warsaw. Figures for 1948 have been taken from *Gospodarka Planowa* (Planned Economy), 1949, No. 1, p. 32, and a statement by S. Jendrichowski at the constituent assembly of the State Investment Bank, *Rzeczpospolita,* 1949, No. 337.

Expenditures on fertilizers and certain other items of expenditure of a recurrent character were deducted from G.I. Irrigation, drainage and other land improvements were deducted from agriculture, roads and bridges from transport, and both were shifted to the Government sector.

Investment outside the Plan, which was considerable in housing and agriculture, was estimated on the basis of deliveries of building materials and of machinery to private builders and farmers, respectively. An adjustment was also made to eliminate changes in stocks from investment in fixed capital.

Depreciation with regard to industry and mining was estimated on the basis of sources quoted in Appendix A, supplemented by unpublished materials. With regard to transportation, agriculture and dwellings, depreciation was estimated by applying standard rates to the capital stock measured in physical units, data for which were taken principally from *Statistical Year-Book of Poland, 1947*. Estimates on capital stock in manufacturing and mining were based on unpublished balance-sheet data.

Conversion to 1938 prices was effected by means of price indices for investment goods given in *Wiadomósci Narodowego Banku Polskiego* (Polish National Bank News), 1948, No. 4, p. 36 ; and *Gospodarka Planowa*, 1949, No. 1, p. 31.

Rumania : G.I. total only, from *Probleme Economice*, Bucarest, Nos. 5-6, September-October 1948, p. 68.

Depreciation and total N.I. has been estimated by comparison of production, productive capacity and capital values in neighbouring and similar countries.

Sweden : Economic sectors. G.I. 1938/39 and 1946-1948 : *Översikt över det Ekonomiska Läget 1946-1949* (Meddelanden från Konjunkturinstitutet, Serie B : 9) N.I. : *ibidem*, p. 26.

By branches of manufacturing : G.I. : *Kommersiella Meddelanden*, March 1948. Figures presented there have been given full coverage according to their coefficient of representation. In addition, 7 per cent has been added to obtain the same total as given by *Översikt*.

Depreciation has been estimated by taking fixed percentages from the value of capital invested (machinery 6.7 per cent ; buildings 2.5 per cent). Capital figures as shown by fire insurance data (from unpublished sources) for November 1946, corrected for net investment, with allowance for price changes. The price movement 1946-1947 for investment goods as given in *Översikt över det ekonomiska läget 1946-1949* (Meddelanden från Konjunkturinstitutet, Serie B : 9), table 10, linked with 1938 by the index of industrial wholesale prices *(Kommersiella Meddelanden)*.

United Kingdom : G.I. total and by economic sectors : 1947, 1948 : *Economic Survey for 1949* (Cmd. 7647).

Roads were included in " other investment ", investment by defence departments in industry in " industry ". The break-down of depreciation between dwellings and other sectors was estimated.

The conversion into 1938 prices was effected by means of a specially computed price index. The comparison between 1938 and 1947 agrees with data given in *Economic Survey for 1948* (Cmd. 7344).

Yugoslavia : G.I. total only, from *Politika*, 29 December 1948. Depreciation was estimated.

The conversion to 1938 prices was effected by means of the index implied in the *Five-year Plan for the Development of the National Economy of the Federative People's Republic of Yugoslavia*, Beograd, 1947, which gives the pre-war national income in January 1947 prices. The figures for 1947 in January 1947 prices were derived from a statement in *Information et Commentaires yougoslaves* (mimeographed), Berne, 7 October 1948. For 1948, the price conversion was carried out by means of an index estimated by comparing movements of national income in current prices with index numbers of the changes of output of major commodities.

X. INTERNATIONAL TRADE (TABLES XVI, 41-59, 61-67).

1. The Network of Europe's Trade by Individual Countries in Current Prices (Table XVI)

(a) Figures for 1938 have been taken from *The Network of World Trade*, League of Nations, Geneva, 1942. Since the aim was to obtain figures representing trade according to country of origin and consumption, omitting transit trade, account has been taken, in considering the flow of trade between any two countries, of the data reported by both the exporting and the importing country. The figure finally shown is thought to represent, as accurately as possible, trade exclusive of transit trade at f.o.b. values. Where the figures are reported on a c.i.f. basis, estimated freight and other costs have been subtracted. For example, the figure given in the table for Germany's imports from Latin America is neither that reported by Germany (minus allowances for freight) nor that reported by Latin-American countries, the former being undoubtedly too high, owing to the application of the official German exchange rates in *The Network of World Trade*, and the latter too low because many South-American commodities destined for Germany were unloaded in non-German harbours. In all such cases, therefore, the figures given in the tables are estimates.

(b) Figures for 1947 and 1948 have been taken chiefly from the trade returns of European countries, the United States and Canada. All the data are converted into United States dollars at the official rates of exchange, with the following exceptions :

(i) The exchange rates used for Italy were derived from a comparison between the values of Italy's imports and exports expressed in lire and in dollars respectively, as published in *Statistica del Commercio con l'Estero* (Istituto Centrale di Statistica) ; and

(ii) The exchange rates used for France are those calculated by the Direction des Relations économiques extérieures as given in *Troisième Rapport semestriel sur la Réalisation du Plan de Modernisation et d'Equipement* (Commissariat général du Plan de Modernisation et d'Equipement), pp. 110 and 115.

The figures for trade between any two European countries and between each country and the United States and Canada in 1947 and 1948 have been obtained from the figures reported by both the importing and the exporting countries on the same principles as the data for 1938. The figures showing the trade of France, Italy and Germany[1] have been taken mainly from the reports of other countries. The dollar figure thus obtained for Italy's total exports in 1947 is considerably higher than the dollar figure reported in the Italian trade returns. The explanation seems to lie in the discrepancy between the direct exchange rates and the cross rates used in Italy, especially between sterling and the dollar.

Owing to the inadequacy of the trade returns for many overseas countries other than the United States and Canada, figures for Europe's trade with these countries have all been taken from European trade statistics, with the exception of the Soviet Union, whose overseas trade has been obtained from the statistics of overseas countries.

In its monthly trade accounts, the United Kingdom does not give re-exports according to country of origin ; it has not therefore been possible to exclude re-exports from the figure of the United Kingdom's imports from overseas. (However, a correction has been made in the estimates of the balance of payments of Europe, see Section XII below.)

Trade between overseas areas other than the United States and Canada was obtained by subtracting the sum of all the other figures shown in the table from world trade as estimated by the Statistical Office of the United Nations (after correcting these world totals for part of the difference between the general and special trade of the United Kingdom).

For countries which report their imports by country of purchase or country of consignment, the imports from overseas areas other than the United States and Canada have been increased by estimates of that part of their oversea imports which reached them as transit goods or re-exports from other European countries. These estimates have been based on the difference between the exports from European countries which have considerable transit trade and the corresponding imports reported by the importing countries. Similar corrections have in some cases been introduced on the export side—e.g., part of the exports to the United States reported by Denmark have been given in the tables as exports to Germany because they represent supplies either to the civilian population or to United States troops in Germany.

Owing to the change in the beginning of 1948 in the nomenclature used in French trade statistics, the provisional reports of French trade for the early months of 1948 appear to be seriously incomplete. In particular, the figures for France's exports to her overseas territories appear to be too low, and an adjustment has therefore been applied.

Where trade returns for the last months of 1948 were not available, it was assumed that the figures for these months would be the same as the average for the months in the second half of 1948 for which figures were available. Where there was an appreciable difference between the monthly averages obtained from the returns of exporting and importing countries, the figure taken was that calculated on the basis of the greater number of months.

The tables do not take account of reparations and sales of surplus war supplies, but every other sort of non-commercial trade (U.N.R.R.A. shipments, military shipments for civilian supply, parcel post, etc.) is included. to the extent that the figures were available.

2. INDEX NUMBERS OF THE VOLUME OF IMPORTS AND EXPORTS (TABLES 42 AND 43)

The indices shown in the tables have been obtained from the following sources :

Austria : *Statistische Nachrichten* (Österreichisches Statistisches Zentralamt) gives quarterly figures for the value of imports and exports at 1937 prices, from which an index has been calculated with 1937 as the base year.

Belgium : *Bulletin de l'Institut de Recherches économiques et sociales*, Université catholique de Louvain, gives quarterly index numbers of the volume of imports and exports with 1936-1938 as the base period. The base year has been shifted to 1938.

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[1] The reason for using other countries' returns to estimate Germany's trade is the absence of trade data for the French and Soviet Zones of occupation.

[2] See *Etudes et Conjoncture, Union Française*, 1948, No. 9, p. 50, note 3.

Bulgaria : *Bulletin mensuel de la Direction générale de la Statistique* gives quarterly index numbers of the volume of imports and exports with 1939 as the base year which have, for lack of any index suitable for shifting the base year, been taken over unchanged.

Czechoslovakia : *Statisticky Zpravodaj*, National Statistical Office, gives quarterly figures for the value of imports and exports at 1937 prices, from which an index has been calculated, the base year being shifted to 1938.

Denmark : Preliminary volume index numbers for 1947 and 1948 with 1938 as the base year have been supplied by the National Statistical Office.

Finland : *Utrikeshandel*, Finlands Officiella Statistik, gives index numbers, with 1935 as the base year, of the average monthly volume of imports and exports for periods running from 1 January to the end of each month which have, after decumulation, been averaged by quarters and recalculated with 1938 as the base year.

France : As mentioned above, a comparison with the data from other countries indicates that the official French volume indices for both imports and exports in the first quarter of 1948 are considerably too low. While the official index numbers for the first quarter and for the full year 1948 are shown in Table 42, the weighted index numbers for total Europe, also shown in Table 42, have been calculated on the basis of adjusted French figures. For the first quarter of 1948, the official index numbers have been raised by 45 per cent and 25 per cent for imports and exports respectively.

New and provisional monthly index numbers of the volume of imports and exports for 1948, and annual index numbers for 1947, have been supplied by the Institut national de la Statistique et des Etudes économiques with 1938 as the base year. The index numbers for 1948 have been averaged by quarters ; those for 1947 have been used in conjunction with the quarterly movement indicated in the old volume index published in *Bulletin de la Statistique générale de la France.*

Hungary : *Gazdaságstatisztikai Tájékostató* (Economic Statistical Bulletin) gives monthly values of imports and exports at 1938 prices from which a quarterly index has been obtained with 1938 as the base year.

Ireland : *Irish Trade Journal and Statistical Bulletin* gives monthly values of imports and exports at 1930 prices from which a quarterly index has been obtained with 1938 as the base year.

Italy : Provisional volume index numbers for 1947 and 1948, with 1938 as the base year, have been supplied by the Istituto Centrale di Statistica.

Netherlands : *Statistische en Econometrische Onderzoekingen*, Centraal Bureau voor de Statistiek, March 1948, gives monthly index numbers of the volume of imports and exports in 1947, with 1938 as the base year, which have been averaged by quarters.

Norway : *Statistisk-Økonomisk oversikt over aret 1947*, Statistisk Sentralbyrå, gives monthly index numbers of the volume of imports and exports with 1938 as the base year, which have been averaged by quarters.

Poland : *Statistical Tables of the Polish Institute for Economic Research* gives quarterly values of imports and exports at 1938 prices, from which an index has been calculated with 1938 as the base year.

Sweden : *Konjunkturläget Hösten 1948*, Konjunkturinstitutet, gives quarterly index numbers of the volume of imports and exports 1946-1948 with 1936-1938 as the base. The base year has been shifted to 1938.

Switzerland : *Bulletin mensuel de la Banque nationale suisse*, gives monthly index numbers of the volume of imports and exports with 1938 as the base year which have been averaged by quarters.

Turkey : *Konjonktür*, Ministry of Commerce, gives monthly index numbers of the volume of imports and exports with 1938 as the base year which have been averaged by quarters.

United Kingdom : *Monthly Digest of Statistics*, Central Statistical Office, gives quarterly index numbers of the volume of imports and exports, with 1938 as the base year.

3. TRADE IN CONSTANT PRICES (TABLES 41, 43-46)

(a) *Total Trade*

For the countries listed in the preceding section, the dollar value of total imports and exports at 1938 prices has been calculated by multiplying the f.o.b. values for the year 1938 by the volume index numbers. Since, in the case of imports, these indices are weighted by c.i.f. import values, the accuracy of the result depends on the fulfilment of two conditions : (i) there must be no correlation between the 1938 c.i.f./f.o.b. price ratios of individual commodities and the subsequent changes in the quantities imported, and (ii) freight rates and other costs must have moved proportionally with f.o.b. values since pre-war. Neither of these conditions is completely fulfilled, particularly as regards the movement of commodity prices and freight rates from 1947 to 1948 ; but it has not been possible to go into a detailed study of this point. The errors arising from the rough method used are, however, comparatively insignificant.

For countries which do not publish volume indices, either officially or unofficially, the value of post-war trade in 1938 prices has been arrived at by deflating the current trade figures by price indices for import and export goods. Where such indices were also not available, the current value figures have been deflated by the price index of the country most closely resembling the country in question as regards the commodity composition of its trade and its sources of supply.

The same principle has been applied as regards the more recent months for countries which publish volume indices but whose figures for 1948 are incomplete.

(b) *Overseas Exports and Intra-European Trade*

The figures for overseas exports in constant prices have been obtained by deflating the current values of each European country's exports to overseas countries with export price indices either for total trade or for those commodities which predominate in overseas exports (finished manufactures in most cases). The figure representing total exports from the whole of Europe to overseas countries in current value, divided by the same total expressed in 1938 prices, gives the price (or unit value) index for Europe's overseas exports (Table 41).

The figures for exports from one European country to another were obtained by subtracting exports to overseas countries from each European country's total exports, both in current values and at constant prices. The sum of these residuals represents the total of intra-European trade in current values and at constant prices respectively. The unit value index for exports to Europe, for each country and for Europe as a whole, is calculated from the relationship between the figures in current values and at constant prices.

These indices have been used to deflate the exports of individual countries to each group of European countries shown in Table 46. Where sufficient information was available regarding differences in commodity composition or price discrimination between one country and another (e.g., Germany's exports to France as compared with her exports to other countries), different price indices have been used in the deflation of a given country's exports to different country groups, but in most cases it has only been possible to apply a single unit value index for the deflation of exports to all groups of European countries.

(c) *Overseas Imports*

The imports of each group of European countries from the United States and Canada, given in Table 46, have been deflated by the unit value index of United States exports for those commodity groups which make up the bulk of the exports to the country or country group in question (unit value of crude foodstuffs for exports to Germany, unit value of finished manufactures for exports to Eastern Europe, etc.)

The deflated figures thus obtained for the import of each group of countries from each European country and from the United States and Canada were deducted from each country group's total imports, also deflated. The unit value indices calculated by dividing the balance into the corresponding value of imports in current prices were checked against information available on price movements of the principal commodities imported from the " other " overseas areas. In view of the fair agreement found between the unit value indices and the independent evidence referred to, the deflated figures in Table 46, even though obtained by the rough method described, may be considered to give a reasonably reliable general picture of Europe's trade in constant prices. Some of the figures relating to the trade between particular groups of countries may nevertheless be inaccurate, owing to price discrimination or differences in commodity composition which it has not been possible to take into account.

(d) *Trade between Overseas Areas*

The value of trade between overseas areas other than the United States and Canada was deflated by the same unit value index as applied to the exports of these areas to Europe, the United States and Canada.

The volume index for the trade of the whole world arrived at by the methods above described agrees very closely with the index published in *Major Economic Changes in 1948*, United Nations, Lake Success, January 1949.

4. TRADE BY COMMODITIES (TABLES 47-59)

(a) *General*

All figures have been taken from the trade statistics of European countries, the United States and Canada. Since, however, only very few annual reports are available for 1947, and none for 1948, the data for these two years had to be taken from monthly bulletins which often contain only inadequate information on trade by commodities and countries of origin and destination. For this reason, only the total imports and exports of each commodity group could be obtained for each country, permitting the computation of European totals alone. In order to arrive at a distinction between trade with overseas and within Europe, various procedures have been followed. In some cases, the break-down was derived from the import figures, in others from the export figures depending on which course constituted the most practicable procedure in each case. The data for intra-European trade thus obtained—e.g., for imports—were deducted from total European exports, and the difference was considered to represent overseas exports. In so far as these calculations were made in terms of money values, the basic figures were adjusted, where necessary, from a c.i.f. to a f.o.b. basis.

This method has inevitably introduced a certain number of errors, especially into figures for the post-war years :

(i) No trade statistics at all are available for the post-war years for a few European countries and all figures for the trade of such countries have been estimated, mainly on the basis of the returns published by the trading partners.

(ii) Estimates also were made in instances where European countries do not report their total imports and exports with a sufficiently detailed commodity break-down where they report trade in selected items only.

(iii) Wherever value figures were used, the conversion from national currencies into dollars is likely to introduce a margin of error, especially as regards France and Italy. For these countries, therefore, the results obtained for the larger and more homogeneous items have been checked by comparison with the quantity figures.

If all these possible errors for certain commodity groups should happen to work in the same direction, the figures for intra-European trade computed from the import figures might, when subtracted from Europe's total exports, lead to rather serious errors in the figures for overseas exports, and *vice versa*. In order to eliminate these errors as far as possible, various checks have been applied as described below. Most of the errors involved would, however, affect the figures for all the periods considered in the same way and the movement of the figures from period to period is therefore considerably more accurate than the absolute figures.

(b) *Definition of Commodity Groups*

The definition of the items shown in Tables 48, 52 and 56 follows as closely as possible the 1937 Geneva Minimum List. The content of each item, defined by the numbers of the Minimum List, is as follows :

A. Food and Feeding-stuffs (Table 48)

Items	Numbers of 1937 Geneva Minimum List included
1. Bread grains	Ch. 5, Nos. 26, 27 ; Ch. 6, Nos. 34, 35
2. Coarse grains	Ch. 5, Nos. 30-33 ; Ch. 6, Nos. 36-38
3. Sugar	Ch. 9, Nos. 59-61 ; Ch. 3, No. 21
4. Potatoes	Ch. 8, No. 50
5. Apples, citrous fruit	Ch. 7, Nos. 42, 45
6. Horses	Ch. 47, No. 403
7. Living animals and meat	Ch. 1 (total), Ch. 2 (total)
8. Milk	Ch. 3, Nos. 15, 16
9. Butter	Ch. 3, No. 17
10. Cheese	Ch. 3, No. 18
11. Eggs	Ch. 3, Nos. 19, 20
12. Fish	Ch. 4 (total)
13. Seeds for oil	Ch. 14 (total)
14. Animal and vegetable oils and fats	Ch. 15 (total)
15. Oil cakes	Ch. 12, No. 82
16. Coffee	Ch. 10, Nos. 64-66
17. Tea	Ch. 10, No. 67
18. Tobacco	Ch. 13 (total)
19. Wines	Ch. 11, Nos. 75, 78
20. Alcoholic beverages (spirits)	Ch. 11, No. 77
21. Others	All other items in Section I, + Ch. 16, No. 122 + Ch. 47, No. 410

B. Industrial Materials (Table 52)

Items	Numbers of 1937 Geneva Minimum List included
1. Coal, coke	Ch. 21, No. 154 ; Ch. 34, Nos. 269-272, 280
2. Mineral oils	Ch. 34, Nos. 275-279
3. Iron ore	Ch. 40, Nos. 324, 325
4. Bauxite	Ch. 40, No. 326, c
5. Pyrites	*ex.* Ch. 40, Nos. 324 and 325
6. Other ores	Ch. 39, No. 318; Ch. 40, No. 326 a, b, d
7. Pig iron and ferro-alloys	Ch. 41, No. 328
8. Scrap	Ch. 41, No. 329
9. Crude steel	Ch. 41, No. 330
10. Finished steel	Ch. 41, Nos. 331-336
11. Copper	Ch. 42, Nos. 337, 338
12. Lead	Ch. 42, No. 342
13. Zinc	Ch. 42, No. 344
14. Tin	Ch. 42, No. 346
15. Aluminium	Ch. 42, No. 340
16. Cement	Ch. 35, No. 296
17. Timber	Ch. 21, Nos. 153, 155, 156-164, 165, 166, 167, 172
18. Woodpulp	Ch. 22, Nos. 175, 176
19. Raw wool	Ch. 26, Nos. 198-200, 203-205
20. Raw cotton	Ch. 26, Nos. 206 b, 207, 208, 209
21. Jute	Ch. 26, No. 213
22. Hemp and flax	Ch. 26, Nos. 210-212, 214
23. Wool yarn	Ch. 27, No. 219
24. Cotton yarn	Ch. 27, No. 220
25. Silk yarn and artificial fibres	Ch. 26, Nos. 196, 197; Ch. 27, Nos. 216-218
26. Other textile yarns	Ch. 27, Nos. 221, 222
27. Hides and skins	Ch. 23, Nos. 186, 187; Ch. 25 (total)
28. Rubber	Ch. 20, Nos. 147-149
29. Sulphur	Ch. 35, No. 289
30. Fertilizer	Ch. 19 (total)

C. Manufactures (Table 56)

Items	Numbers of 1937 Geneva Minimum List included
1. Electrical machinery	Ch. 45, No. 378
2. Prime movers, other than electrical	Ch. 44, No. 372
3. Agricultural machinery and appliances	Ch. 44, No. 373
4. Textile machinery and sewing-machines	Ch. 44, No. 376 d and e
5. Other machinery, non-electrical	Ch. 44, Nos. 376 a-c, f-g, 377
6. Tools of iron and steel	Ch. 43, Nos. 360-361
7. Other manufactures of iron and steel	Ch. 43, Nos. 350-359, 362-363
8. Electrical apparatus and appliances including office and household machinery and appliances	Ch. 45, Nos. 379-385 ; Ch. 44, Nos. 374-375
9. Manufactures of non-ferrous metals	Ch. 42, Nos. 339, 341, 343, 345, 347, 349; Ch. 43, Nos. 364-371
10. Instruments and watches	Ch. 46, Nos. 418-422 ; Ch. 48, Nos. 444-445
11. Tractors	Ch. 46, No. 391
12. *(a)* Locomotives and other railway and tramway material	Ch. 46, Nos. 386-387, 389-390
(b) Wagons	Ch. 46, No. 388
13. Motor vehicles, personal	Ch. 46, No. 392
14. Motor vehicles, commercial	Ch. 46, No. 393
15. Automobile parts	Ch. 46, Nos. 394-396
16. Vessels and boats	Ch. 46, Nos. 401-402
17. Aeroplanes and parts thereof	Ch. 46, No. 400

18. Other vehicles including motor and pedal cycles	Ch. 46, Nos. 397-399
19. Arms, ammunition and explosives	Ch. 48, Nos. 423, 428
20. Cotton tissues	Ch. 28, Nos. 235-236
21. Tissues of wool and hair	Ch. 28, Nos. 232, 234
22. Silk tissues	Ch. 28, Nos. 224-225
23. Tissues of artificial fibre	Ch. 28, No. 229
24. Tissues of other textile materials	Ch. 28, Nos. 239-241, 243 ; Ch. 29, No. 248
25. Apparel and other ready-made textiles	Ch. 28, Nos. 226-228, 230-231, 233, 237-238, 242, 244-245 ; Ch. 29., Nos. 246-247, 249-250 ; Ch. 30, Nos. 251-256 ; Ch. 33, Nos. 266-268
26. Leather clothing and footwear of leather and other materials	Ch. 31, Nos. 257-258 ; Ch. 32, Nos. 260-265
27. Prepared skins and manufactures of leather	Ch. 23, Nos. 188, 189-190 ; Ch. 24, Nos. 191-192
28. Rubber manufactures	Ch. 20, Nos. 150-152
29. Wood manufactures	Ch. 21, Nos. 168-171, 173
30. Paper and manufactures of paper, excluding newsprint	Ch. 22, Nos. 177, 179-185
31. Manufactures of porcelain, earthenware, etc.	Ch. 36, Nos. 300-302
32. Glass and manufactures thereof	Ch. 37, Nos. 304-311
33. Colours, dyes and varnishes	Ch. 17, Nos. 126-132
34. Pharmaceuticals	Ch. 16, No. 125
35. Soap, perfumes, comestics, etc.	Ch. 18, Nos. 133-137
36. Other ready-made articles	Ch. 31, No. 259 ; Ch. 38, Nos. 312-316 ; Ch. 39, No. 323 ; Ch. 48, Nos. 429-443, 446-449

(c) *Food, Feeding-stuffs and Raw Materials (Tables 48-55)*

The tables dealing with raw materials and agricultural products have been compiled by adding the quantity figures given in the national statistics of European countries. Where the figures were inadequate, or where none were available, estimated figures have been included which were obtained with the assistance of the appropriate technical divisions of the ECE Secretariat. The figures for solid mineral fuels, tin and rubber were taken as far as possible from the relevant specialized publications [*Monthly Bulletin of Coal Statistics* (ECE, Coal Division, United Nations), *Statistical Bulletin of the International Tin Study Group* (The Hague), *Rubber Statistical Bulletin* (Secretariat of the Rubber Study Group, London).]

The break-down of Europe's total trade into intra-European trade and trade with overseas countries has been made by one of the following methods :

(i) By means of statistics published by the United States and Canada for those commodities in which Europe's overseas trade was almost entirely with these countries ; *or*

(ii) By obtaining, first, the total exports to overseas from the trade statistics of European countries ; and then computing (α) intra-European trade as the difference between the total exports of all European countries and their total overseas exports ; and (β) imports from overseas as the difference between the total imports of Europe and intra-European trade as obtained in (α) ; *or*

(iii) By the inverse method to (ii) above, that is, by computing Europe's imports from overseas countries, where such figures are published by European countries and then subtracting the result from Europe's total imports, thus obtaining the figure for intra-European trade and thence for overseas exports.

Since it has not been possible, owing to lack of data, to follow both methods (ii) and (iii) for each commodity, the figures shown are necessarily subject to reservations.

In order to arrive at aggregate import or export values, a single 1947 f.o.b. price for each commodity or commodity group was applied to the quantities exported and imported both by particular countries and by Europe as a whole. However, these prices are " typical " rather than " average ", since value figures, permitting calculation of a unit price, are not available for all European countries and certain official dollar exchange rates are definitely inapplicable.

A few deviations from the general method are described in the following notes.

Timber and Milk. — The great diversity of qualities and units of quantity included under these items in the trade returns of different countries has necessitated the calculation of the quantities of different types of wood and different varieties of milk (fresh, condensed, evaporated, powdered) separately for each country at 1947 prices, first in its own national currency. The totals were then converted into dollars at 1947 exchange rates.

Meat and Tobacco. — The quantity figures for live animals and tobacco manufactures were converted into equivalent quantities of meat and raw tobacco, respectively, by means of suitable coefficients, and single unit prices for meat and raw tobacco were then applied to the calculated quantities.

Other Agricultural Products. — The total value of imports and exports has been calculated for each European country and then revalued at 1947 prices by use of appropriate national wholesale price indices (some of which had to be estimated). The results were converted into dollars at 1947 rates of exchange.

(d) *Manufactures (Tables 57-59)*

Value figures in national currencies for Europe's total imports and total exports of manufactures have been computed from the trade statistics of European countries and converted into dollars at the official rates of exchange.[1]

It has been assumed that, for nearly all the commodity groups included in the tables, Europe's imports of manufactures from overseas countries other than the United States and Canada were negligible in the years considered. The figure for imports from overseas is therefore the sum of the figures for exports to all European countries reported in the trade statistics of the United States and Canada. For those commodity groups (e.g., colours and dyes, prepared skins and apparel) where the imports from overseas countries other than the United States and Canada are known to be of some significance, the imports from these areas have been taken from the import statistics of all European countries for which such information is available, with an estimated allowance for the remaining countries.

The method used for splitting the totals into overseas trade and intra-European trade has been the same as in other cases. The result of subtracting overseas imports, obtained in the manner described, from total imports, representing intra-European trade, was deducted from total European exports to obtain exports to overseas. The adjustment of c.i.f. figures to an f.o.b. basis has been made wherever necessary.

The data for items which may be assumed to be least completely reported in national trade statistics, e.g., vessels and aeroplanes, have been checked by comparing the figures on imports and exports with the figures of the countries of origin and destination, respectively.

(e) *Major Commodity Classes (Table 47)*

The data for total trade were taken from Table 41, and those for food and feeding-stuffs (after conversion into 1938 prices) from Table 48. The 1947 and 1948 data for manufactures were obtained from Table 56 and were expressed in 1938 prices by means of separate price indices of manufactured goods for trade with overseas and trade within Europe. The 1947 and 1948 data for industrial materials (which include items omitted in Table 52) were obtained by difference.

Since the available resources did not permit a detailed inquiry, the 1938 figures for manufactures are estimates based on rough computations of total imports and exports by broad groups given in the trade returns of European countries, and adjusted to exclude the more important semi-manufactures usually included in these groups. Overseas imports in 1938 were estimated mainly on the basis of materials prepared for Tables 26 and 27 of last year's SURVEY, intra-European trade and overseas exports being obtained by the method described in Section 3 (b) above. The 1938 trade in industrial materials was again obtained by difference.

The calculations for the year 1938 and for industrial materials were checked as follows : (i) a computation by the same method was made for the year 1947 ; and (ii) the trade for each year in materials not accounted for in Table 52 was compared with the information available on the volume of trade in chemicals and newsprint—the main items concerned. The satisfactory outcome of these checks bears out the accuracy, at least as regards order of magnitude, of the figures in Table 47, and hence of the other more detailed estimates from which Table 47 has been derived.

5. MISCELLANEOUS DATA ON OVERSEAS TRADE OF EUROPEAN COUNTRIES (TABLES 77-81)

(a) *Trade with the United States (Tables 77-79)*

United States imports for consumption from European countries in current prices, distributed by economic classes (Table 77), were supplied directly by the United States Department of Commerce. These figures have been converted into 1938 prices by the use of unit value indices for each economic class applicable to United States imports from all sources, given in the *Monthly Summary of Foreign Commerce of the United States*, Department of Commerce.

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[1] As regards Italy, see Section 1, *(b)* (i) above. As regards France, since no manufactured goods are subject to special exchange rates, the rate used for each month of the year 1948 is a weighted average of (α) the rate applying to the dollar area, Switzerland and Portugal, and (β) the rate applying to other countries, the weights being proportional to trade in manufactures during that month with the two groups of countries. The rates applying to exports and imports were computed separately. The semi-annual averages are also weighted.

Data on the commodity composition of Europe's trade with the United States (Tables 78 and 79) were obtained, for 1938, from *International Reference Service*, United States Department of Commerce, Vol. VI, No. 5, February 1949, and *Foreign Trade and Navigation of the United States, 1938*, United States Department of Commerce. The post-war figures were taken from the first-mentioned source and from *United States Imports for Consumption of Merchandise* (Report No. FT. 120), and *United States Exports of Domestic and Foreign Merchandise* (Report No. FT. 420), United States Department of Commerce. The conversion of United States exports into 1947 prices was effected by means of wholesale prices for each commodity as given in *Survey of Current Business*, except for tobacco, for which a weighted average of the export prices for the main subdivisions of tobacco—e.g., flue-cured and burley—was used.

(b) *Trade with the Overseas Sterling Area (Tables 80 and 81)*

All the value figures in Table 80 were obtained from the national trade statistics of each importing country and converted to an f.o.b. basis by the deduction of 13 per cent. Total overseas imports used for obtaining the percentage figures in the last row were taken from Table XVI.

No data on imports in December 1948 being available for Italy, Sweden, the Netherlands and France, the 1948 figures for the first three countries were estimated by assuming the proportion of December imports to annual imports to be the same in 1948 as in 1947. For France, it was assumed that imports in December 1948 were the same as the monthly average of May-November 1948.

On account of insufficient details as to countries of origin, the imports of France from the unspecified Sterling Area countries in Central America and Africa had to be estimated. Similarly, the 1947 imports of Belgium from unspecified Sterling Area countries in Latin America, Africa, Asia and Oceania were estimated on the basis of 1948 figures, which are much more complete. Finally, imports from British Guiana into Switzerland, Sweden and Norway were assumed to be half the imports from the whole of Guiana.

The figures in Table 81 were taken from *Accounts relating to Trade and Navigation of the United Kingdom*, December 1948. The data for 1938 and 1948 were adjusted to 1947 prices by multiplying the quantities by the unit values for 1947, which were derived from the quantity and value figures of trade with the Sterling Area in each commodity group.

XI. IMPORT AND EXPORT PRICES AND TERMS OF TRADE (TABLES 63 - 66)

1. General

All adjustments for changes in exchange rates have been made on the basis of data published in *International Financial Statistics*, International Monetary Fund. In the exchange rates for Bulgaria and Hungary the pre-war premium was taken into consideration. For Italy the average of the official rate and the free rate was used, except for 1946 where the official rate has been used throughout the year due to difficulties in estimating an average rate.

2. Terms of Trade of European Countries (Tables 63 and 64)

The import and export unit value indices have been obtained as ratios of indices of the value of imports and exports measured in current and in constant prices. Since the majority of the volume indices available are computed with fixed base-year weights and are thus of the Laspeyres type ($\Sigma p_1 q_1/\Sigma p_0 q_0$), the result of dividing a value index ($\Sigma p_1 q_1/\Sigma p_0 q_0$) by a volume index is in most cases a unit value index of the Paasche type ($\Sigma p_1 q_1/\Sigma p_0 q_0 : \Sigma p_0 q_1/\Sigma p_0 q_0 = \Sigma p_1 q_1/\Sigma p_0 q_1$). Hence the index numbers for successive periods shown in Tables 63 and 64 reflect the combined outcome of changes in prices and in the commodity composition of trade and thus are not, strictly speaking, genuine and comparable measures of price movements. The " terms of trade " computed for successive periods as ratios of such unit value indices are therefore not the result of shifts in price levels alone.

In general, the current value indices were computed from data shown in *Monthly Bulletin of Statistics*, United Nations, and the index numbers of volume (or value at constant prices) are those given in Table 42.

For Sweden, the value index was obtained from *Kommersiella Meddelanden* and covers only groups I-XV of the official trade statistics, so as to be more comparable with the index of volume. The unit price indices for the United Kingdom (Table 63) were taken directly from the *Board of Trade Journal*. For France, no dollar unit value index was computed, owing to the uncertainties attaching to the official exchange rates in 1948, but the terms of trade were calculated from unit value indices expressed in French francs.

Table 64 was derived from Tables XVI and 46, which give trade figures in current and in 1938 dollars respectively at f.o.b. prices. The data for the United Kingdom have been obtained by the method described above in Section X, 3.

3. HYPOTHETICAL TERMS OF TRADE ACCORDING TO UNITED STATES PRICE MOVEMENTS (TABLES 65 AND 66)

For the purpose of calculations shown in Table 65, wholesale price indices for the United States (1938=100)—either directly given or computed from absolute prices in *Survey of Current Business*, or obtained from import and export unit values derived from United States trade statistics—relating to 21 foods and feeding-stuffs, 27 industrial materials, and 12 groups of finished manufactures, have been combined into three weighted averages, one for each class of commodities mentioned. The weights used for food and feeding-stuffs and for raw materials are the 1947 and 1948 values of Europe's overseas imports and exports, taken from Tables 48 and 52, respectively, and converted from 1947 into 1938 f.o.b. prices. The weights for manufactures are the 1947 and 1948 values of Europe's imports expressed in current f.o.b. prices, taken directly from Table 56.

The effect of this procedure, as regards the first two commodity classes, may be shown as follows. Writing p_0 and p_1 for the " typical " European prices, and P_0 and P_1 for the United States wholesale prices in periods 0 (1938) and 1 (1947 or 1948), respectively, the weighted averages of United States prices are of the form :

$$\Sigma \frac{\frac{P_1}{P_0} \times p_0 q_1}{\Sigma p_0 q_1}$$

To the extent that $P_0 = \lambda \times p_0$ holds for each item, with λ constant, i.e., that the relative prices are the same in the " typical " European and the United States price systems in 1938, this expression becomes :

$$\frac{\Sigma P_1 q_1}{\Sigma P_0 q_1}$$

which in turn is a price index number of the same (i.e., Paasche) type as the " unit value " indices described at the beginning of the preceding sub-section. A careful check has shown that the two systems of relative prices are similar enough to warrant the conclusion that the hypothetical terms of trade computed on United States prices are essentially comparable in nature with those computed on the European unit value indices. The differences between the hypothetical and the " actual " terms of trade are therefore not due to differences in the mathematical character of the measurements and to that extent significant.

The method used in the calculations shown in Table 66 has been the same as for Table 65. Total (i.e., not only overseas) retained imports and total exports of domestic produce in 1947 and 1948, valued at 1938 prices, were directly taken from the *Board of Trade Journal* and used as weights to combine United States wholesale prices into index numbers for three commodity classes (food, drink and tobacco : 9 items ; raw materials : 14 items ; articles wholly or mainly manufactured : 14 items). The theoretical considerations made with regard to Table 65 also apply to Table 66, and in this case relate also to manufactures.

XII. EUROPE'S BALANCE OF PAYMENTS (TABLES 71, 73 AND 74)

1. BALANCE OF PAYMENTS, 1938

(a) *Trade Account*

The figures are the same as those given in Table XVI. Imports from overseas countries other than the United States differ from the estimate given in Table 29 of last year's SURVEY, which was based on the export statistics of overseas countries, whereas the present estimate has been derived by the method described above in Section X, 1, *a*.

(b) *Income from Investment and Other Service Transactions*

Net income from investment was computed directly from the data for 1938 (or the nearest preceding year) in the " Synoptical Table " given in *Balances of Payments, 1938*, League of Nations, 1939, pp. 12 *et seq.*, supplemented by rough estimates for countries for which no figures are given. Net receipts from other services were calculated by difference, on the assumption that Europe's balance on current account in 1938 was approximately in equilibrium. Judging from the available data on national balances of payments, there may in fact have been a small deficit in that year. However, in view of the incompleteness and inaccuracy of the data, the figure does not appear to be significant.

2. Balance of Payments, 1947 and 1948

(a) *Trade Account*

The figures are based on the trade data in Table XVI adjusted as follows : (i) imports from the United States have been increased to take account of surplus property sales and various unrecorded exports for which a distribution by countries is not available ; (ii) imports from other overseas countries have been reduced, chiefly in order to eliminate the estimated duplication between the United Kingdom's (general) import statistics and the import statistics of Continental European countries in the case of goods first imported into the United Kingdom from overseas countries and subsequently re-exported to other European countries.

(b) *Income from Investments and Other Service Transactions*

Estimates have been prepared by the International Monetary Fund, the figures for 1947 being based largely on the balances of payments published by individual European countries, supplemented in some instances by special information. The figures for 1948 are provisional estimates based on less complete sources.

The new estimates differ in composition from those published in Table 29 of last year's Survey in that (*a*) the transportation item is shown separately and (*b*) the data for " other invisibles " include receipts of European countries from war settlements and sales of surplus property. These changes, together with an upward revision of $200 million in the estimate of Europe's net income from investments, account for most of the difference between the figures on invisibles presented last year for 1947 and the revised figures given here. Personal remittances, like other unilateral transfers, have been excluded from both sets of estimates.

(c) *Distribution between O.E.E.C Countries and Other European Countries*

The distribution of the trade figures shown in Table 73 is derived from Table XVI, adjusted as indicated above. Service transactions with the United States have been distributed on the basis of estimates by the United States Department of Commerce, published in the *Survey of Current Business* and, in the case of other overseas countries, estimates were made on the assumption that net payments between such countries and European countries which are not members of the O.E.E.C. were negligible. Net payments on service transactions between O.E.E.C. countries and other European countries were estimated on the basis of partial information concerning the nature and order of magnitude of such transactions.

3. Grants, Capital Transfers and Gold Transactions

The figures in Table 74 have been compiled from a variety of published sources, supplemented by information obtained directly from the United States Department of Commerce, the Dominion Bureau of Statistics (Canada) and the International Monetary Fund. The principal published sources employed are : *Survey of Current Business*, United States Department of Commerce (various issues) ; *United Kingdom Balance of Payments, 1946 to 1948* (No. 2), Cmd. 7648, March 1949 ; *Balance des Paiements de l'Année 1947 entre la Zone franc et les Pays étrangers*, Ministère des Finances ; *The Canadian Balance of International Payments* (Preliminary Statement, 1947), Dominion Bureau of Statistics ; and the Annual Reports of the International Monetary Fund and the International Bank for Reconstruction and Development.

XIII. ECONOMIC PLANS AND THEIR FULFILMENT (TABLES 92-119)

1. General

The various tables deal with the rate of plan fulfilment in the recent past and the national economic plans for the next few years, which generally extend into the early 1950's.

(a) *Plan Fulfilment in 1948*

Programme fulfilment for 1948 has been examined, wherever possible, in the fields of production, foreign trade and investment. It should, however, be pointed out that the results of comparing actual with planned performance are of limited international comparability, in view of different practices adopted in the various countries with regard to planning technique and plan enforcement. In certain countries, considerable latitude is left to the planning authorities with regard to the timing and the establishment of detailed operational programmes, so that the percentages of plan fulfilment in some cases refer to operational plans—which may themselves have been revised during the period to which the figures relate—and not to the original plans. For this reason, a comparison has been made, wherever possible, with output in 1938 and in the previous year.

In the case of the gross value of engineering output in the Eastern European countries, planned and actual figures in terms of national currency have been converted into dollars of 1948 purchasing power on the basis of national price indices and purchasing power parity rates of exchange shown in Table B, Appendix A. The estimates of the various countries have been adjusted to a comparable definition.

While for certain countries official data on percentages of plan fulfilment for production are directly available, for others fulfilment rates had to be computed from separate data relating to planned and to actual production. This method was also used in the case of all the estimates of plan fulfilment in foreign trade, and in most cases as regards investment also.

In the case of the investment plans of the Eastern European countries, official figures relating to actual investment in current prices were deflated by means of official price indices to the same prices in which the plan figures were originally expressed. This procedure involved in most cases lower percentages of plan fulfilment than those given in official publications which generally do not make adjustments for price changes. The division of investment between various sectors was rearranged to secure a uniform classification in the manner described in the notes to Tables 33-40. A distinction was also made between investments which were carried out within the framework of the original investment plan and " outside investments ", which were not contained in the original investment plan. The plan fulfilment percentages in Table 96 relate, therefore, both to the total realized investment (comprising both investments within the framework of the investment plan and " outside investments") and investments carried out within the framework of the plan, both expressed as percentages of the investment target for the year (which refer to investments within the framework of the plan only).

(b) *Long-term Plans*

In the case of the long-term plans of the Eastern European countries, the figures for investment were converted into 1948 dollars by methods similar to those described in the notes to Tables 33-40. To ensure comparability, investment in particular sectors of the economy were adjusted in certain cases to secure a uniform classification. The gross output of engineering industries was expressed in 1938 dollars by the same method as described above. Data on the use of fertilizers and on livestock numbers in 1950/51 are estimates of the Food and Agriculture Organization of the United Nations.

2. SOURCES AND NOTES

(a) *Plan Fulfilment in 1948 (Tables 92 - 96)*

The data shown in Table 92 were taken from the following sources :

Denmark : Planned and actual investment : *Danmarks Nationalbudget* 1948, p. 46 ; and *1949*, p. 62, respectively.

France : Planned investment : *Perspectives des Ressources et des Besoins de l'Economie française*, Commissariat du Plan, etc., December 1947, p. 144. Actual investment : Commissariat du Plan (estimate).

Norway : Planned and actual investment : *Nasjonalbudsjettet 1948*, pp. 55, 56 ; and *1949*, pp. 6, 51, 53, 114 respectively.

Sweden : Planned and actual investment : *Översikt över det ekonomiska läget 1946-1949*, Meddelanden från Konjunkturinstitutet, Serie B : 9, Stockholm 1949, p. 10.

United Kingdom : Planned and actual investment : *Economic Survey for 1949*, Cmd. 7647, p. 4 (footnote).

Tables 93-94 relating to the production plans of Eastern European countries are derived from the following sources :

Bulgaria : *The Two-year Economic Plan*, Sofia, 1947.
Planovo Stopanstvo (Planned Economy), No. 2, 1948.
Bulletin mensuel de la Direction générale de la Statistique, Sofia 1947 and 1948.
La Bulgarie Nouvelle, bi-monthly semi-official publication, Sofia, 1948 and 1949.
League of Nations Statistical Year-book, 1939.
Annuaire statistique du Royaume de Bulgarie, 1942, Sofia.

Czechoslovakia : *Průběh Plnění Hospodářského Plánu, Rok 1947* (The Fulfilment of the Economic Plan, 1947), Praha, 1948.
Průběh Plnění Hospodářského Plánu, II čtvrtletí 1948 (The Fulfilment of the Economic Plan, second quarter 1948), Ministry of Information, Praha, 1948.
National Bank of Czechoslovakia, *Bulletin*, No. 12, 1948.
Industrial Reports of the State Statistical Office, Prague, 1947 and 1948.

Hungary : *Jelentés a hároméves terv elsö évéről* (Report on the First Year of the Three-year Plan), 1947/VIII-1948/VII, Budapest, 1948.
Magyarország hároméves terve (Hungary's Three-year Plan) Kiadja az Országos Tervhivatal (edited by the Central Planning Office), Budapest, 1947.
Vajda, " Az Öthonapos terv " (The Five-month Plan), *A Magyar-Szovjet Kereskedelmi Kamara II. Évkönyve* (Second Year-book of the Hungarian-Soviet Chamber of Commerce), Budapest, 1949.
Gazdaságstatisztikai Tájékoztató (Economic Statistical Bulletin).
A Magyar Nemzeti Bank Havi Közleményei (Monthly Bulletin of the National Bank of Hungary).

Poland : Statement of the Chairman of the Central Planning Board, *Trybuna Ludu*, 16 January 1948.
S. Jędrychowski, Statement before the Constituent meeting of the State Investment Bank, *Rzeczpospolita*, No. 337, 1949.
Gospodarka Planowa (Planned Economy) No. 1, Warszawa, 1949.
Statistical News of the Central Statistical Office, 1947 and 1948.
Bulletin of the Polish Institute for Economic Research, 1947 and 1948.
Wiadomości Narodowego Banku Polskiego (Polish National Bank News), No. 4, 1947 and 1948.
Plan odbudowy gospodarczej, Liczby Podstawowe (Plan of Economic Reconstruction, Basic figures), Warszawa, 1947.
Maly Rocznik Statystyczny (Statistical Year-book), Warszawa, 1939.
Other miscellaneous national publications.

Rumania : *Monitorul Oficial* (The Official Gazette), 1947-1948.
Probleme Economice, Bucarest, 1948.
Evoluţia Economiei Romanesti (Evolution of Rumanian Economy), Bucarest, 1 April 1948.
Bursa, weekly economic review, Bucarest 1947.
Georghiu-Dej, Statement before the National Assembly, *Informations Roumaines* (Paris), No. 181, 28 December 1948.
Petroleum Press Service (London), March 1949.

Yugoslavia : *The Five-year Plan of the Federative People's Republic of Yugoslavia*, Belgrade, 1947.
Official speeches and statements delivered by state officials.
Bulletin de la Section de Presse de la Légation de la République fédérative populaire de Yougoslavie à Berne, 1948 and 1949.
Borba, daily paper, organ of the Communist Party of Yugoslavia, Belgrade.
League of Nations, *Statistical Year-book*, 1939.

Table 95, showing planned and actual foreign trade in Poland, Hungary and Bulgaria, was derived from the following sources :

Poland : Plan : *Plan Odbudowy Gospodarczej*, Liczby Podstawowe, p. 145.
Fulfilment : *Obroty Handlowe Polski*, Min. Przemyslu i Handlu, p. 2.
The data on actual trade differ from those shown in Table XVI because (*a*) the figures in Table 95 exclude non-commercial trade, and (*b*) figures in Table XVI are on an f.o.b. basis and have been adjusted in the light of the figures for trade with Poland published by other countries.

Hungary : Plan : *Magyarország hároméves terve*, pp. 35-37.
Fulfilment : *Jelentés a hároméves terv elsō évérōl*, p. 111. *Gazdaságstatisztikai Tájékoztató*, No. 1, January 1949, p. 52.

Bulgaria : Plan : 1948 : *La Bulgarie Nouvelle* (Sofia), 17 January 1948, p. 2, and 26 February 1948, p. 4.
Fulfilment : *Bulletin mensuel* de la Direction générale de la Statistique (Sofia), No. 6, June 1948, p. 112. *Planovo Stopanstvo*, No. 2, February 1948, p. 64.
For 1948 the actual trade figures have been estimated since trade returns for Bulgaria are available for the first five months of the year only. The estimate was built up from the returns for trade with Bulgaria published by other countries (after adjustment from a f.o.b. to a c.i.f. basis in the case of imports, and vice versa in the case of exports), and a projection based on the trade returns of the first five months in the case of trade with countries which do not publish trade statistics.

Table 96 shows the ratios of actual to planned investment in Eastern European countries. The sources and methods of calculation used to measure actual investment are indicated in Section IX (in connection with Tables 33-40). The figures on planned investment were derived from the sources listed below.

The conversion of actual investment into the prices in which the investment plan are expressed was carried out by the same index numbers which were used to translate actual investment into 1938 prices (see Section IX).

In the absence of more detailed data, the same price conversion factor was applied to all sections. The adjustment to planned prices led to reductions in the data for actual investment as follows :

Country	Year	Percentage Reduction	Country	Year	Percentage Reduction
Bulgaria	1947	6	Hungary	1947/48	22
	1948	17	Poland	1947	18
Czechoslovakia	1948	5	Yugoslavia	1947	16

Sources.

Bulgaria : *The Two-year Economic Plan*, op. cit.
Planovo Stopanstvo (Planned Economy), No. 2, February 1948, pp. 74-75.

Czechoslovakia : *The Czechoslovak Economic Two-year Plan Act*, Prague, 1947, pp. 18-19 ; official amendments : *Sbírka zákonů a nařízeni* (Official Gazette), No. 131, 1 July 1947, and *idem.*, No. 231, 9 December 1947 ; for amended plan see : *Statistický Zpravodcj* (Statistical Report), June 1948, p. 230. From published percentages of plan fulfilment it may be inferred that three-sevenths of the total two-year investment plan target was to be accomplished in 1947, and four-sevenths in 1948.

Hungary : *Magyarország hároméves terve, op. cit.*, pp. 61-69.
Gazdaságstatisztikai Tájékoztató 1949, No. 1, pp. 58-59.

Poland : For 1947 : *Dziennik Ustaw* (Official Gazette), No. 58, 5 August 1947, pp. 937-976 ; *Plan odbudowy gospodarczej Liczby Podstawowe* (Plan of Economic Reconstruction, Basic Figures), Warszawa, 1947, p. 92 ; *Dziennik Ustaw* (Official Gazette), No. 22, 26 April 1948, p. 391. For amendments see : S. Jendrichowski, Statement before the Constituent Meeting of the State Investment Bank, *Rzeczpospolita*, No. 337, 1949.

Rumania : *Soviet Monitor*, No. 9638, 31 May 1948.

Yugoslavia : *The Law on the Five-year Plan for the Development of the National Economy of the Federative People's Republic of Yugoslavia in the period from 1947 to 1951*, Beograd, 1947, p. 80.
The investment target for the first plan year (1947) was derived from fulfilment in current prices and plan fulfilment percentage, as given in *Politika*, 29 December 1948, and *Borba*, 26 November 1948, respectively.

(b) *Long-term Plans (Tables 99 - 119)*

The data on the plans and programmes for future years contained in Tables 99-112 were all derived from reports published by the Organization for European Economic Co-operation and the long-term programmes submitted to the O.E.E.C. which have been published by its member countries. The main documents published by the O.E.E.C. which have been used are the *Interim Report on the European Recovery Programme*, Paris, 30 December 1948, and the *Report to the Economic Co-operation Administration on the First Annual Programme*, Paris, October 1948.

In certain tables the pre-war data which have been linked to the programmes were derived from published national statistics. The methods of computation used are, where necessary, described in the footnotes to tables.

The sources used for Tables 113-119 are as follows :

Bulgaria : *La Bulgarie Nouvelle*, Sofia, 1948 and 1949.
" Zakon za petigodishnia derzharen narodostopouraki plan na Narodnata, republika Bulgaria (1949-1953). Law on the Five-year State National Economic Plan of the Bulgarian People's Republic, 1949-1953. *Derzhaven Vestnik* (Official Gazette), Sofia, 18 January 1949.
The Two-year Economic Plan, Sofia, 1947.
Planovo Stopanstvo (Planned Economy), Sofia, 1948.

Czechoslovakia : *Law of the First Five-year Economic Plan for the Development of the Czechoslovak Republic*, Praha, 1948.
The Czechoslovak Economic Two-year Plan Act, Prague, 1947.
Průbeh Plněni Hospodařského Plánu, Čtvrtletí II, 1948. (The Fulfilment of the Economic Plan, second quarter, 1948), Praha, 1948.
International Labour Review, No. 1, 1949.

Hungary : A Magyar Dolgozok Pártjának határozata az ötéves tervröl (Resolution of the Party of Hungarian Workers on the Five-year Plan). *Szabad Nép* (Budapest), 3 April 1949.
Magyarország hároméves terve (The Three-year Plan of Hungary), Budapest, 1947.
Jelentés a hároméves terv elsö évéröl (Report on the First Year of the Three-year Plan), 1 August 1947, 31 July 1948, Budapest, 1948.

Poland : Plan Odbudowy Gospodarczej, Liczby Podstawowe (Plan of Economic Reconstruction, Basic figures), Warszawa, 1947.
H. Minc, Statement before the Polish Parliament on 21 December 1948.
Gospodarka Planowa (Planned Economy), Warszawa.
Trybuna Ludu, Warszawa.
Rzeczpospolita, Warszawa.

Rumania : Gheorghiu-Dej, Statement before the National Assembly, *Informations Roumaines*, Paris, No. 181, 28 December 1948.
Probleme Economice, Bucarest, 1948.

Yugoslavia : The Law on the Five-year Plan for the Development of the National Economy of the Federative People's Republic of Yugoslavia, Belgrade, 1947.
Bulletin de la Section de Presse de la Légation de la République fédérative populaire de Yougoslavie à Berne, 1948 and 1949.

XIV. STATISTICAL INFORMATION ON THE UNION OF SOVIET SOCIALIST REPUBLICS (TABLES 1, 7, 8, 12, II, IV, V AND XII)

1. General

The statistical information for the Union of Soviet Socialist Republics, except for trade, has been derived from official and other Soviet sources which are in most cases indicated in the notes given at the foot of the various tables. Trade data have, in all cases, been taken from the statistics published by the trading partners.

The following notes relate to the information on production which is given in a number of tables and summarized in Table 12.

2. Index-numbers of Gross Industrial Production (1940 = 100) (Tables 1 and 12)

The figure for 1948 has been taken directly from the annual statement of the Central Statistical Administration, and figures for previous years have been computed from the data given in the same statement and in the corresponding statement relating to 1947.

The quarterly data given in Chapter 1 have been computed from quarterly statements of the same Administration and of the Gosplan of the Soviet Union by means of assumptions as to the growth of production in consecutive quarters.

3. Output of Individual Commodities (Tables 7, 8, II, IV, V and XII)

Official indices for output of individual commodities are available on the basis 1945 = 100 in statements by the State Planning Commission and the Central Statistical Administration. In order to arrive at the index numbers (1940 = 100) shown in Table 12 and the absolute figures in Tables 7, 8, II, IV, V and XII, it has been necessary to compute a link, sometimes indirectly, between 1945 and 1940. These calculations have been carried out in terms of absolute figures which, while accurately reflecting the orders of magnitude, in some cases are subject to a certain margin of error. The sources and methods used in the calculations for each item are as follows :

Coal and Brown Coal

Output in the Eastern regions for the year 1945 has been taken from *Izvestia*, 21 April 1946, and was used as a basis for estimating 1945 output in the Soviet Union as a whole, by means of the regional break-down given in *Kalendar-Spravochnik*, 1948, p. 252. The results of the estimates agree with those shown in *Pravda*, 19 August 1948.

Oil

Output in 1945 from *Baku Worker*, 29 May 1946.

Electric Power

Output in 1940 from *Kalendar-Spravochnik*, 1948, p. 94. Output in 1946 was derived from *Electritcheskie Stantsii*, 12, 1946.

Pig-iron, Crude Steel and Rolled Steel

The 1945 figures for pig-iron and crude steel were derived from *Ferrous Metallurgy in the New Five-year Plan*, by Bardin and Bunny, Moscow, 1947 (in Russian), p. 15. The figures for rolled steel have been estimated by the Steel Division, Economic Commission for Europe.

Motor Vehicles

Output in 1940 taken from *Promyshlennost S.S.S.R. v Novoi Stalinskoi Pyatiletke*, by E. Lokshin, 1946, p. 40. Output in 1947 from *Avtomobilnaya Promyshlennost*, No. 3, 1947.

Cotton Fabrics

Output in 1940 taken from the *Law on the Post-war Five-year Plan*. Output in 1946 derived from *Tekstilnaya Promyshlennost*, No. 3, 1948, p. 38.

Felled Timber

Figures taken from *Pravda*, 5 January 1949.

Cement

Output in 1940 from *Promyshlennost S.S.S.R. v Novoi Stalinskoi Pyatiletke*, by E. Lokshin, 1946, p. 62. Output in 1947 from *Moskovski Bolshevik*, 27 April 1947, and *Tsement*, No. 2, 1947.

Building Materials

Figures taken from *Izvestia*, 1 January 1949.

Artificial Fertilizers

Output in 1940 from *Khimicheskaya Promyshlennost*, No. 4, 1947. Output in 1946 computed from *Pravda*, 3 April 1947.

Leather Shoes

Output in 1940 from *Lyogkaya Promyshlennost*, No. 3-4, 1946. Output in 1945 derived from *Izvestia*, 26 March 1946.

Machinery and Instruments

Figures taken from *Izvestia*, 20 January 1949.

Appendix C

SUPPLEMENTARY STATISTICS

Table I

PRODUCTION AND CONSUMPTION OF MINERAL OIL

Millions of tons

Country	Production of Crude Petroleum			Consumption of Mineral Oil [a]		
	1938	1947	1948 [b]	1938	1947	1948 [b]
Austria	0.06	0.35 [c]	0.32	0.43 [d e]	0.41 [e]	0.38
Belgium-Luxemburg	—	—	—	0.92	1.42	1.66
Czechoslovakia	0.02	0.03 [c]	0.03	0.41	0.36	0.40
Denmark	—	—	—	0.96	1.29	1.37
France	0.07	0.05	0.05	8.44	6.85	7.61
Germany [f]	0.55	..	..	5.92	..	..
of which Western zones	0.55	0.58	0.63	..	1.61	1.73
Hungary	0.04	0.57	0.48	0.28	0.49	..
Italy	0.01	0.01	0.01	2.61	3.72	2.65
Netherlands	—	0.21	0.49	1.64	2.52	2.02
Norway	—	—	—	0.66	1.10	1.37
Poland [g]	0.51	0.13	0.13	0.51	0.37	..
Portugal	—	—	—	0.22	0.63	0.66
Rumania	6.61	3.82	4.50	1.66	1.32 [e]	..
Spain	—	—	—	0.60	1.05	0.97
Sweden	—	—	—	1.45	3.43	3.03
United Kingdom [h]	0.13	0.12	0.13	9.87 [e]	14.57 [e]	19.37
Other European countries [c]	0.20	0.18	0.20	1.53	1.30	2.15
Total Europe (excluding U.S.S.R.) [c]	8.20	6.05	6.95	38.10	44.00	49.80
U.S.A.	164.08	250.79	276.98	129.12	238.45	264.04

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics,* United Nations ; *Statistical Year-Book of the League of Nations, 1942/44* and national trade statistics.

Notes. — The data refer to the main products of the distillation of crude oil, among the most important of which are motor spirit, fuel and gas oils, diesel oil and lubricating oils. Greases, coal tar and other bituminous products have been excluded. For details, see Appendix B.

[a] Apparent consumption, in terms of crude oil—*i.e.* production of crude oil plus net imports of crude oil and products, with no allowance for changes in stocks.

[b] Provisional. Trade returns do not permit an accurate picture of consumption in Hungary, Poland, and Rumania.

[c] Estimate. For details, see Appendix B.

[d] 1937.

[e] Releases for consumption.

[f] The figures for 1938 refer to pre-war boundaries of Germany.

[g] The figures for 1938 refer to the pre-war boundaries of Poland. Production in the post-war area is estimated to have been 0.11 million tons. For details, see Appendix B.

[h] Mainly shale oil.

Table II

PRODUCTION OF ELECTRIC POWER

Thousand millions of kilowatt hours

Country	1937	1938	1946	1947	1948[a]
Austria	2.9	3.0	3.9	4.2	4.8
Belgium	5.5	5.3	6.2	7.2	7.9
Czechoslovakia	4.1	4.1	5.6	6.7	7.7
Denmark	1.1	1.1	1.4	1.6	1.8
Finland	2.8	3.1	2.9	2.8	2.8
France[b]	18.2	18.8	23.4	25.5	28.0[c]
Germany[d]	49.0	55.3	28.3	32.4	37.1
of which Western zones	28.2	31.8	15.9[e]	18.1[e]	21.4[e]
Soviet Zone	14.7	16.6	11.4	13.3	14.7
Italy	15.2	15.4	16.4	19.3	22.5
Netherlands	3.3	3.5	3.5	4.5	4.9
Norway	9.3	9.9	11.6	11.3	12.4
Poland[f]	3.6	4.0	5.7	6.6	7.4
Spain	2.5	2.7	5.5	5.6	5.3
Sweden	8.0	8.2	14.1	13.5	14.2
Switzerland	6.8	7.0	10.1	9.8	10.3
United Kingdom[g]	22.9	24.4	41.2	42.6	46.5
Other European countries[h]	4.3	4.6	5.8	6.0	6.8
Total Europe (excluding U.S.S.R.)[h]	160	170	186	200	220
U.S.S.R.	36	48	47	54	63
U.S.A.	166	161	302	324	356

Sources. — With the exception of Austria, Denmark, Italy, Netherlands and Sweden, the figures have been taken from national statistics. Sources are given in detail in Appendix B.

Note. — The data relate to total production of electric power unless otherwise stated.

[a] Provisional.

[b] Grid production only. The production of the Saar has been included for post-war years, amounting to 0.4 thousand million kilowatt hours in both 1946 and 1947 and 0.5 thousand million kilowatt hours in 1948.

[c] Public utilities only.

[d] Total production for 1937 and 1938 (public utilities only) relates to the pre-war boundaries of Germany. Total production for all years includes the production of Berlin. The figures for the post-war years, which exclude production of the Saar and the ceded territories, have been estimated, as have those of the individual zones in certain years. For details, see Appendix B.

[e] The production of the U.K./U.S. Zone includes grid production only ; that of the French Zone includes public utilities only.

[f] The figures for 1937 and 1938 show production within the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 7 and 7.9 thousand millions of kilowatt hours for 1937 and 1938, respectively. For details, see Appendix B.

[g] Authorized undertakings only ; excluding Northern Ireland.

[h] Estimate. For details, see Appendix B.

Table III

PRODUCTION OF IRON ORE

Millions of tons

Country	1937	1938	1946	1947	1948 [a]
Austria	0.7	0.9	0.2	0.3	0.4
Czechoslovakia	0.6	0.5	0.3	0.4	0.4
France	12.5	10.9	5.4	6.2	7.5
Germany [b]	2.8	3.3	1.1	1.3	2.0
of which Western zones	2.7	3.2	1.0	1.2	1.9
Soviet Zone	0.1	0.1	0.1	0.1	0.1
Italy [c]	0.5	0.5	0.1	0.1	0.2
Luxemburg	2.3	1.5	0.7	0.6	1.0
Poland [d]	0.3	0.3	0.2	0.2	0.2
Spain	0.6	1.1	1.1	1.0	0.7
Sweden	9.1	8.4	4.3	5.6	8.0
United Kingdom	4.3	3.6	3.7	3.3	4.0
Other European countries [e]	1.5	1.3	0.7	0.8	1.0
Total Europe (excluding U.S.S.R.) [e]	35	32	18	20	25
U.S.A. [f]	36.6	14.4	36.0	47.4	50.0

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations; *Statistical Yearbook for 1946, Part II*, British Iron and Steel Federation; and *Mineral Industry Statistical Summary, 1936-1938*, Imperial Institute.

Notes. — The data refer to the metal content of crude iron ores produced, including manganiferous iron ores but excluding pyrites. For percentages of metal content, see Appendix B.

[a] Provisional.

[b] The figures for 1937 and 1938 show production within the pre-war boundaries of Germany. Production in the individual zones has been estimated for most years. For details, see Appendix B. Post-war figures for the British Zone up to July 1947 relate to mines employing 25 or more persons. From August 1947, production of all mines employing 10 or more persons have been included.

[c] Excluding manganiferous iron ore.

[d] Including iron pyrites, which amounted to less than 7 per cent of total iron ore production in 1946. The figures for 1937 and 1938 show production within the pre-war boundaries of Poland and are equivalent to the production in the post-war area.

[e] Estimate. See Appendix B.

[f] Production of all usable iron ores averaging over 50 per cent iron content.

Table IV

PRODUCTION OF PIG-IRON AND FERRO-ALLOYS

Millions of tons

Country	Production				
	1937	1938	1946	1947	1948 [a]
Austria [b]	0.39	0.54	0.06	0.28	0.61
Belgium–Luxemburg	6.35	3.97	3.54	4.63	6.57
Czechoslovakia	1.68	1.32	0.96	1.42	1.66
France [c]	7.86	6.01	3.70	5.54	7.75
Germany [d]	15.96	18.08	2.20	2.40	4.84
of which Western zones	13.21	14.97	2.08	2.27	4.67
Soviet Zone	0.21	0.24	0.12	0.13	0.17
Hungary	0.36	0.34	0.16	0.30	0.36
Italy	0.88	0.93	0.20	0.39	0.55
Poland [e]	0.72	0.89	0.72	0.86	1.10
Spain [b]	0.14	0.44	0.49	0.50	0.53
Sweden [f]	0.66	0.68	0.70	0.72	0.77
United Kingdom [g]	8.62	6.86	7.87	7.91	9.45
Other European countries [h]	0.53	0.54	0.60	0.86	1.13
Total Europe (excluding U.S.S.R.) [h]	44	41	21	26	35
U.S.S.R.	14.5	15.2	10.1	11.5	14.0
U.S.A. [g]	37.2	19.1	41.2	53.7	55.0

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations ; *Minerals Yearbook, 1939*, United States Department of Interior ; *Monthly Statistical Bulletin*, British Iron and Steel Federation. For details, see Appendix B.

NOTE. — The data refer to total production, both for steel-making and other purposes, of pig-iron, including direct castings, ferro-alloys (Spiegeleisen, ferrous manganese, ferro-silicon, ferro-nickel, ferro-chrome, *et cetera*) made in blast and electric furnaces.

[a] Provisional.

[b] Excluding ferro-alloys.

[c] The figures exclude ferro-alloys produced in electric furnaces. For post-war years, the production of the Saar, amounting to 0.25, 0.66, and 1.13 million tons in 1946, 1947 and 1948, respectively, is included in the production of France.

[d] Total production for 1937 and for 1938 relates to the pre-war boundaries of Germany and includes the production of the Saar, amounting to 2.25 and 2.55 million tons in 1937 and 1938, respectively. The figures for the post-war years exclude the production of the Saar and the ceded territories. Production of the individual zones has been estimated for the pre-war years. For details, see Appendix B.

[e] The figures of production in 1937 and in 1938 relate to the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 1.01 and 1.21 million tons for 1937 and 1938 respectively. For details, see Appendix B.

[f] Including sponge-iron ; excluding ferro-alloys.

[g] Excluding ferro-alloys made in electric furnaces.

[h] Estimate. For details, see Appendix B.

Table V

PRODUCTION OF MOTOR VEHICLES

In thousands

Country	Passenger cars				Commercial vehicles			
	1938	1946	1947	1948 [a]	1938	1946	1947	1948 [a]
Czechoslovakia	12.6 [b]	3.8	9.3	17.8	4.0 [b]	3.0	5.3	7.4
France [c]	182.4	30.5	66.3	100.1	39.4	62.5	66.8	93.6
Germany : U.K./U.S. Zone	174.1 [d]	10.0	9.3	28.0	36.4 [d]	11.2	12.6	26.5
Italy	59.0	11.0	25.4	44.2	11.8	18.3	18.6	15.5
United Kingdom [e]	341.0	218.4	287.0	334.8	104.0	140.6	154.3	173.2
Total	769	274	397	525	196	236	258	316
U.S.S.R. [f]	18.2 [b]	20.8	157.0	270.0	181.8 [b]	..	..	..
U.S.A.	2,001	2,149	3,558	3,893	488	941	1,240	1,380

Sources. — The figures have been derived from the *Monthly Bulletin of Statistics*, United Nations: *Monthly Statistical Bulletin of the Control Commission for Germany (British Element)*; and *Annuario della Congiuntura Economica Italiana, 1938-1947*.

Notes. — The figures relate to total production of motor vehicles both for export and for domestic market and include production of foreign-owned companies operating within the territory of the reporting country. Production of completed vehicles built on imported chassis is excluded.

Taxis are included in the production of passenger cars, but vehicles intended for common carriers (buses, coaches) are excluded.

The figures for commercial vehicles refer to production of all trucks, lorries, motor-coaches, *et cetera*, and special vehicles such as ambulances, fire apparatus. They do not include commercial vehicles operating off the road such as farm tractors, road and other construction machinery. Finished chassis are also included. Motor-cycles and military vehicles are excluded.

[a] Provisional.

[b] 1937.

[c] Motor-coaches and fire apparatus are excluded from the figures for commercial vehicles. Data for 1938 refer to the period October 1937-September 1938.

[d] 1936.

[e] Wheeled tractors for road haulage are included in the figures for commercial vehicles. Battery-driven electric vehicles, of which 2,300 were produced in 1946, are excluded.

[f] The figures for the post-war years include data for both passenger cars and commercial vehicles.

Table VI

PRODUCTION OF MERCHANT SHIPS

Thousands of gross registered tons

Country	Vessels launched			Vessels completed
	1938	1947	1948	1948
Denmark	158	61	100	92
France	47	92	135	63
Germany	479 [a]	..	..	..
Italy	94	62	108	135
Netherlands	240	88	139	167
Norway	55	37	47	49
Sweden	166	222	244	295
United Kingdom	1,024	1,192	1,172	1,213
Other European countries	83	49	95	116
Total Europe (excluding U.S.S.R.)	2,346	1,803	2,040	2,130
U.S.A.	160	165	128	184
World total (excluding U.S.S.R.)	2,976	2,104	2,293	2,482

Source. — *Lloyd's Register Shipbuilding Returns.*

Note. — The figures exclude merchant vessels of less than 100 gross tons.

[a] Pre-war territory.

Table VII

PRODUCTION AND CONSUMPTION OF COTTON YARN

Thousands of tons

Country	Production					Consumption [a]		
	1937	1938	1946	1947	1948 [b]	1938	1947	1948 [b]
Austria	34	..	..	9	13	31 [c]	7	11
Belgium-Luxemburg [d]	..	75	69	81	80	65	76	71
Czechoslovakia [e]	89	..	..	59	68	78 [c]	59	68
France	..	250	172	204	219	241	200	218
Germany [f]	377	..	..	..	..	393	..	..
of which Western zones	245	..	49	75	112	..	62 [g]	95 [g]
Soviet Zone	109	..	..	..	..	..	..	..
Hungary	..	18	9	21	24	18	21	24
Italy	..	124 [h]	..	175 [c]	188	106 [c]	158	156
Netherlands	55	52	31	41	48	62	47	55
Poland [i]	78	64	46	59	82	66	59	82
Portugal	..	21	30	29	32	19	29	31
Sweden	29	28	22	20	21	30	27	27
Turkey	16	20	28	29	28	26	37	36
United Kingdom [j]	616	476	333	336	387	421	328	366
Other European countries [c]	75	75	55	56	71	110	66	82
Total Europe (excluding U.S.S.R.) [c]	1,857	1,703	1,113	1,235	1,432	1,666	1,230	1,398
U.S.A.	1,410	1,108	1,852	1,802	1,763			
Japan	719	700	45	121	113			

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations, and national statistics supplemented by trade publications and those of private organizations. Sources are given in detail in Appendix B.

Notes. — The figures refer to the total weight of pure cotton yarn spun, whether for sale, for further processing or on commission. They do not include mixed cotton yarn, cotton yarn made from cotton waste and tyre cord yarn unless otherwise indicated.

[a] Apparent consumption : i.e., production plus net imports with no allowance for changes in stocks.

[b] Provisional.

[c] Estimate. For details, see Appendix B.

[d] Including production of cotton yarn with admixture of artificial fibre.

[e] Including production of vicuna yarn and tyre cord yarn.

[f] The figures for 1937 and 1938 relate to pre-war boundaries of Germany. Production of the individual zones in 1937 and total German consumption in 1938 have been estimated. For details, see Appendix B.

[g] U. K./U. S. Zone only.

[h] 1939.

[i] The figures of production in 1937 as well as those of production and consumption in 1938 relate to pre-war boundaries of Poland. Production in the post-war area for 1937 is estimated to have been 100 thousand tons. For details, see Appendix B. Figures for production and consumption are not available for 1938 for the post-war area.

[j] Production relates to conditioned weight of single cotton yarn.

Table VIII

PRODUCTION AND CONSUMPTION OF WOOL YARN

Thousands of tons

Country	Production					Consumption [a]		
	1937	1938	1946	1947	1948 [b]	1938	1947	1948 [b]
Belgium-Luxemburg	..	26	31	42	34	20	37	27
Czechoslovakia	27	..	..	30	32	24 [c]	29	31
France [d]	..	118	92	116	133	107	106	124
Germany [e]	129	..	..	..	..	132	..	..
of which Western zones	84	..	19	22	33	..	22	32
Soviet Zone	37	..	..	..	..	..	..	..
Hungary [d]	..	12	2	6	8	12	6	8
Netherlands	4	..	17	23	26	11 [c]	29	33
Norway	5	..	6	6	..	6 [c]	7	8
Poland [f]	34	34	19	24	33	33	24	33
Spain	..	5 [g]	6	5	5	4 [c]	5	5
Sweden	14	..	15	14	14	17 [c]	18	19
Turkey	3	4	7	7	8	5	8	9
United Kingdom [c]	180	200	165	190	205	189	187	204
Other European countries [c]	113	113	76	92	100	118	93	103
Total Europe (excluding U.S.S.R.) [c]	670	691	492	585	649	678	579	648
U.S.A.	210	221 [h]	416	358	361			

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations, and national statistics. Sources are given in detail in Appendix B.

NOTES. — The figures refer to total weight of woollen and worsted yarns spun, whether for sale, for further processing or on commission. Mixed wool yarns and yarn made from wool waste are excluded.

[a] Apparent consumption : i.e., production plus net imports, with no allowance for changes in stocks.

[b] Provisional.

[c] Estimate. For details, see Appendix B.

[d] Including mixed yarn.

[e] Figures for 1937 and 1938 relate to pre-war boundaries of Germany. Production in the individual zones in 1937 and total German consumption in 1938 have been estimated. For details, see Appendix B.

[f] Includes mixed yarns and yarns made from wool waste. The figures of production for 1937 as well as those of production and consumption for 1938 relate to pre-war boundaries of Poland. Production in the post-war area for 1937 is estimated to have been 41.9 thousand tons. For details, see Appendix B, Figures for production and consumption are not available for 1938 for the post-war area.

[g] 1940.

[h] 1939.

Table IX

PRODUCTION AND CONSUMPTION OF RAYON FILAMENT YARN

Thousands of tons

Country	Production					Consumption [a]		
	1937	1938	1946	1947	1948 [b]	1938	1947	1948 [b]
Belgium-Luxemburg	7.4	5.0	7.9	9.2	10.1	3.4	7.7	8.5
Czechoslovakia	4.0	2.4	3.1	4.4	5.2	3.9	5.5	6.5
France	30.1	28.0	31.0	37.2	43.6	22.8	32.0	40.5
Germany [c]	56.7	65.3	8.3	15.2	32.6	67.8	..	..
of which Western zones	32.4	37.2	7.7	13.4	30.1	..	10.6 [d]	25.7 [d]
Soviet Zone	14.1	16.3	0.6	1.8	2.5	..	..	..
Italy	47.2	45.9	29.5	52.3	46.0	8.0	40.9	11.7
Netherlands	10.8	9.6	8.4	13.1	15.7	4.1	7.3	8.7
Poland [e]	6.6	6.2	3.5	5.5	7.1	6.3	5.5	7.1
Spain	1.3	1.0	8.0	8.3	7.3	1.0	8.3	7.3
Switzerland	5.5	5.5	6.2	7.5	8.0	6.4	6.6	5.6
United Kingdom [f]	51.6	46.8	49.2	54.0	67.2	43.5	48.0	57.0
Other European countries [g]	2.8	3.3	5.9	7.3	7.5	15.9	17.1	14.1
Total Europe (excluding U.S.S.R.)	224	219	161	214	250	183 [g]	194 [g]	199
U.S.A.	145.2	116.4	307.2	338.4	389.0			
Japan	152.4	97.1	4.1	7.4	16.1			

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics*, United Nations, and national statistics supplemented by data published by the Textile Economics Bureau. For details, see Appendix B.

NOTE. — The data for filament yarn relate to production of continuous rayon filament of all tenacities, but exclude staple fibre, artificial horse hair and straw and other artificial fibres.

[a] Apparent consumption : i.e., production plus net imports, with no allowance for changes in stocks.

[b] Provisional.

[c] The figures for 1937 and 1938 relate to pre-war boundaries of Germany. Production of the individual zones has been estimated for certain years. For details, see Appendix B.

[d] U.K./U.S. Zone only.

[e] The figures of production in 1937, as well as those of production and consumption in 1938, relate to pre-war boundaries of Poland. Production in the post-war area is estimated to have been 12.8 and 13.4 thousand tons in 1937 and 1938, respectively. For details, see Appendix B. Figures for consumption in this area for 1938 are not available.

[f] Nylon yarn production is included in the post-war years.

[g] Estimate. For details, see Appendix B.

Table X

CONSUMPTION OF NATURAL AND SYNTHETIC RUBBER

Thousands of tons

Country	1937	1938	1946	1947	1948 [a]
Austria	4	4	4	1	2
Belgium	13	13	9	15	13
Czechoslovakia	12	11	6	17	26
France [b]	61	58	59	75	95
Germany [c]	94	104	..	..	..
of which British Zone	..	..	14	16	29
Italy	24	24	13	28	28
Netherlands	4	5	4	8	12
Poland [c]	6	8	4	3	4
Sweden	7	8	11	12	14
United Kingdom [b]	116	109	129	159	199
Other European countries	27	22	7	22	24
Total Europe (excluding U.S.S.R.)	368	366	266	369	486
U.S.A. [b]	553	446	1,056	1,139	1,091

Sources. — The figures have been taken from the *Rubber Statistical Bulletin*, Rubber Study Group, supplemented by estimates of the Research and Planning Division, Economic Commission for Europe. See Appendix B.

NOTES. — The figures for natural and synthetic rubber include latices. Reclaimed rubber is not included since data are available only for the countries indicated below :

	1937	*1938*	*1946*	*1947*	*1948*
United Kingdom	10	9	26	23	24
United States	165	123	280	293	277

[a] Provisional.

[b] Including the consumption of the following amounts of synthetic rubber :

	1937	*1938*	*1946*	*1947*	*1948*
France	—	—	29	13	8
United Kingdom	—	—	31	3	3
United States	1	2	774	568	457

[c] The figures for 1937 and 1938 relate to the pre-war boundaries of Germany and Poland.

Table XI

PRODUCTION AND CONSUMPTION OF SAWN SOFTWOOD

Millions of cubic metres

Country	PRODUCTION				CONSUMPTION			
	1937 [a]	1946	1947	1948 [b]	1937 [a]	1946	1947	1948 [b]
Austria	1.8	0.9	1.1	1.3	0.4	0.8	1.1	0.8
Czechoslovakia	2.1	2.7	2.8	2.3	1.7	2.6	2.2	2.0
Denmark	0.6	0.3	0.2	0.3	1.2	0.8	0.7	0.9
Finland	6.2	3.0	3.5	3.8	1.9	1.3	1.3	1.5
France	1.8	3.4	3.3	3.0	2.5	4.0	3.8	4.4
Germany [c]	12.0	6.7	7.0	..	14.3	6.5	6.8	..
of which Western zones	7.1	4.9	5.1	6.0	..	..	..	..
Soviet Zone	2.6	1.8	1.9	..	..	..	..	..
Italy	1.8	1.1	1.0	0.7	3.0	1.2	1.3	1.0
Norway	2.7	1.2	1.4	1.5	2.7	1.1	1.4	1.4
Poland [d]	3.6	1.0	1.8	2.6	2.3	1.0	1.8	2.4
Rumania	3.3	1.1	1.0	1.0	2.1	1.0	0.5	0.5
Sweden	6.5	5.5	4.9	4.7	2.8	3.8	2.9	2.1
Switzerland	0.5	1.3	1.2	1.3	0.6	1.4	1.4	1.5
United Kingdom	0.5	0.4	0.3	0.4	11.6	5.2	4.7	4.7
Yugoslavia	2.8	1.0	1.1	1.2	1.9	1.0	0.8	0.5
Other European countries [a]	4.1	2.9	2.6	..	8.5	..	..	..
Total Europe (excluding U.S.S.R.) [a]	50	33	33	34	58	36	33	35
U.S.A.	50	60	50	50				

Sources. — The figures have been taken from publications of the Food and Agriculture Organization of the United Nations, and the Comité international du Bois. For details, see Appendix B.

NOTES. — Sawn softwood includes the following categories of sawn wood: planks, boards, deals, battens and large timbers, both rough and planed; squares; flooring; laths; shingles and boxboards. It does not include railway sleepers (crossties).

Production figures refer to indigenous timber only.

Consumption for 1937 is apparent consumption (production plus net imports). For post-war years, stock changes have been taken into account wherever possible.

[a] Estimates. For details, see Appendix B.

[b] Provisional.

[c] Total production and consumption for 1937 relate to the pre-war boundaries of Germany. The figures for the post-war years, which exclude production of the ceded territories, have been estimated as have those of the individual zones for certain years. For details, see Appendix B.

[d] The figures for 1937 refer to the pre-war boundaries of Poland. Production in the post-war area in 1937 was estimated to have been 5.8 million cubic metres. For details, see Appendix B.

Table XII

PRODUCTION OF CEMENT

Millions of tons

Country	1937	1938	1946	1947	1948 [a]
Austria [b]	0.4	0.7	0.4	0.3	0.7
Belgium	3.0	2.9	1.9	2.6	3.3
Denmark [c]	0.7	0.6	0.5	0.7	0.8
France [d]	3.5	3.6	3.4	3.9	5.4
Germany [e]	12.6	15.3	3.2	3.6	6.3
of which Western zones	9.2	11.2	2.6	2.9	5.3
Soviet Zone	1.8	2.2	0.6	0.7	1.0
Hungary [c]	0.4	0.4	0.1	0.2	0.2
Italy	4.3	4.6	1.9	2.9	3.0
Netherlands [f]	0.4	0.5	0.4	0.5	0.6
Poland [g]	1.3	1.7	1.4	1.5	1.9
Portugal [h]	0.3	0.3	0.3	0.4	0.5
Spain	0.4	0.6	2.1	1.8	1.9
Sweden	0.9	1.0	1.5	1.6	1.7
Turkey	0.2	0.3	0.3	0.3	0.4
United Kingdom [c]	7.3	7.8	6.7	7.1	7.4
Other European countries [i]	3.5	3.8	3.2	3.5	4.0
Total Europe (excluding U.S.S.R.) [i]	39	44	27	31	38
U.S.S.R. [i]	5.5	5.7	3.4	4.8	6.5
U.S.A. [c]	20.1	18.3	27.9	31.8	34.9

Sources. — The figures have been taken from the *Monthly Bulletin of Statistics,* United Nations ; *Statistical Year-Book of the League of Nations, 1942-1944* ; and national statistics. For details, see Appendix B.

NOTE. — The data refer to the production of artificial cements (including Portland cement) and natural cement unless otherwise indicated.

[a] Provisional.

[b] Artificial cements only.

[c] Portland cement only.

[d] Artificial cements only with pressure resistance of over 100 kilogrammes per square centimetre.

[e] Total production for 1937 and 1938 relates to the pre-war boundaries of Germany. The figures for the post-war years, which exclude the ceded territories, have been estimated as have those for the Soviet Zone. For details, see Appendix B.

[f] Portland cement and blast-furnace slag cement.

[g] Portland cement only. Production for 1937 and 1938 relates to the pre-war boundaries of Poland. Production in the post-war area was estimated to have been 2.9 and 3.6 million tons for 1937 and 1938 respectively. For details, see Appendix B.

[h] Factory sales of Portland cement.

[i] Estimates. For details, see Appendix B.

Table XIII

RAILWAY ROLLING-STOCK

Country	Locomotives					Wagons				
	Total stock (Number)			*Available for use (Per cent)*		Total stock (Thousands)			*Available for use (Per cent)*	
	1938 Decem.	1947 Decem.	1948 Decem.	*1947 Dec.*	*1948 Dec.*	1938 Decem.	1947 Decem.	1948 Decem.	*1947 Dec.*	*1948 Dec.*
Belgium	3,337	3,351	3,049	*71.1*	*77.9*	109.1	93.7	94.3	*92.5*	*91.8*
Czechoslovakia [a]	4,086	5,214	5,207	*54.3*	*52.6*	97.5	73.4	73.7	*84.4*	*87.4*
France [b]	18,129	12,082	11,382	*84.6*	*89.3*	506.9	434.3	454.4	*86.2*	*87.2*
Greece [c]	244	130	124	*50.0*	*58.7*	4.7	1.2	2.3	*81.9*	*87.6*
Italy [b]	5,504	5,584	5,327	*62.1*	*66.4*	133.8	110.9	119.7	*80.4*	*82.4*
Norway [c]	435	558	569	*67.0*	*66.9*	10.6	12.4	12.5	*95.7*	*95.4*
Turkey [c]	911	991	1,071	*82.4*	*74.6*	14.8	18.0	18.5	*96.2*	*98.7*
United Kingdom	19,627	20,470	20,249	*80.5*	*81.5*	1,284.3	1,218.1	1,175.2	*86.8*	*90.3*
TOTAL	52,273	48,380	46,978	*75.7*	*77.8*	2,161.7	1,962.0	1,950.6	*86.6*	*89.7*
Stocks : index-numbers 1938 = 100	*100*	*92.6*	*89.9*	—	—	*100*	*90.8*	*90.2*	—	—
Number available for use	..	36,640	36,571	—	—	..	1,700.0	1,749.0	—	—

Sources. — The figures have been taken from *Statistique internationale des Chemins de Fer, 1938,* Union internationale des Chemins de Fer, supplemented by data of the Inland Transport Division, Economic Commission for Europe.

NOTE. — The figures for wagons include both the stock of railway administrations and that of private owners registered for use on the railway systems.

[a] The pre-war figures refer to 1937.

[b] The 1948 figures refer to November 1948.

[c] The 1948 figures refer to August 1948.

Table XIV

TOTAL TONNAGE OF MERCHANT FLEETS

Country	Thousands of gross registered tons [a]			*Index numbers (1939=100)*		Increase in capacity, 1947 to 1948 (Per cent)
	1939	1947	1948	*1947*	*1948*	
Denmark	1,176	1,025	1,123	*87*	*95*	10
France	2,953	2,327	2,799	*79*	*95*	20
Greece [b]	1,781	1,027	1,286	*58*	*72*	25
Italy	3,448	1,317	2,109	*38*	*61*	60
Netherlands	2,973	2,441	2,742	*82*	*92*	12
Norway	4,835	3,762	4,262	*78*	*88*	13
Spain	914	1,140	1,155	*125*	*126*	1
Sweden	1,582	1,830	1,975	*116*	*125*	8
United Kingdom [c]	17,795	16,221	17,210	*91*	*97*	6
TOTAL of above countries	37,457	31,090	34,661	*83*	*93*	11
Germany	4,493	598	431	*13*	*10*	— 28
TOTAL of above countries (including Germany)	41,950	31,688	35,092	*76*	*84*	11
U.S.S.R. [d]	1,316	2,164	2,107	*164*	*160*	— 3

Sources. — The figures have been taken from *Lloyd's Register of Shipping, Statistical Tables.*

[a] 30 June. Vessels of 100 gross tons and over.

[b] Including sailing vessels.

[c] For the post-war years, ships on bare board charter from Canada and the United States are excluded.

[d] Including American ships temporarily under Soviet flag.

Table XV

ELECTRIC GENERATING CAPACITY

End of year

Country	Installed capacity				Percentage increase		
	1938	1946	1947	1948	1946/1938	1947/1946	1948/1947
Austria	1,010	1,450	1,560	1,650	43.6	7.6	5.8
Belgium	2,461	2,630	2,695	3,000 [a]	6.9	2.5	11.3
Bulgaria	104	127	137	170 [a]	22.1	7.9	24.1
Czechoslovakia	1,870 [b]	2,450	2,550 [a]	2,795 [a]	31.0	4.1	9.6
Denmark	560	728	728	752	30.0	—	3.3
Ireland	160	200	220 [a]	242	25.0	10.0	10.0
Finland	870	929	1,000 [a]	1,100 [a]	6.8	7.6	10.0
France	9,180	9,380	9,825 [a]	11,162 [a]	2.2	4.7	13.6
Germany	15,900 [c]	9,100 [d]	9,600 [a]	10,900 [a]	—42.8	5.5	13.5
Greece	240	250 [d]	271 [a]	293 [a]	4.2	8.4	8.1
Hungary	816	1,120	1,210 [a]	1,310 [a]	37.3	8.0	8.3
Italy	5,561	6,002	6,313 [a]	6,660 [a]	7.9	5.2	5.5
Luxemburg	137	141	141	160 [a]	2.9	—	13.5
Netherlands	1,742	1,978	2,050 [a]	2,145 [a]	13.5	3.6	4.6
Norway	2,050	2,440	2,450 [a]	2,500 [a]	19.0	0.4	2.0
Poland	1,483 [e]	1,600	1,900 [a]	2,100 [a]	7.9	18.8	10.5
Portugal	280	315	333 [a]	352 [a]	12.5	5.7	5.7
Rumania	510	600 [d]	645 [a]	693 [a]	17.6	7.5	7.4
Sweden	2,100	2,985	2,985	3,103	42.1	—	4.0
Switzerland	2,030	2,640	2,650 [a]	2,750 [a]	30.0	0.4	3.8
Spain	1,568	1,900	2,010 [a]	2,130 [a]	21.2	5.8	6.0
Turkey	178	248	264 [a]	281 [a]	39.3	6.5	6.4
United Kingdom	9,365	12,438	12,729	13,226	32.8	2.3	3.9
Yugoslavia	500	800 [d]	970 [a]	1,180 [a]	60.0	21.3	21.6
TOTAL Europe (including Germany)	60,675	62,451	65,236	70,654	2.9	4.5	8.3
Index numbers : 1938 = 100	*100.0*	*102.9*	*107.5*	*116.4*			
TOTAL Europe (excluding Germany)	44,775	53,351	55,636	59,754	19.2	4.3	7.4
Index numbers : 1938 = 100	*100.0*	*119.2*	*124.3*	*133.5*			

Source. — Power Division, Economic Commission for Europe.

[a] Plan figures or estimates.

[b] 1936.

[c] 1937.

[d] Estimate.

[e] 1935.

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